(The present document is the English translation of the Italian Financial Statements, prepared for and used in Italy, and have been translated only for the convenience of international readers. Financial Statements were prepared using International Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows according to accounting principles and practices other than IAS/IFRS)

carifermo
cassa di risparmio di fermo s.p.a.

FINANCIAL STATEMENTS AS AT 31/12/2021

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BOARD OF DIRECTORS
Meeting of 29 March 2022

Directors' report and financial statements as at 31/12/2021

Dear shareholders,

After a very difficult 2020, in 2021 the global economy showed clear signs of recovery and in this regard a decisive role was played by the mass vaccination campaigns and the continuation of extraordinary monetary policy, tax policy and regulatory measures, which generated a strong recovery in the first three quarters of the year. However, the fourth quarter showed signs of weakening, mainly caused by the spread of the “Omicron” variant of COVID, which led to a downward revision of the growth estimates. Furthermore, the price increases in the energy sector, the difficulties in the procurement of raw materials and the consequent increase of their prices triggered a rise in inflation in the second half of 2021. The growth estimates were even weaker at the start of 2022 following Russia’s decision to invade Ukraine. In this context, it was important to fully, effectively and promptly implement the investments and the reforms set out in the National Recovery and Resilience Plan (NRRP), defined as part of the Next Generation EU (NGEU) programme. The plan addresses Italy’s main structural weaknesses in the context of a European strategy that embraces the challenges posed by the climate change and the digital revolution, and which will require an increase in public and private investments, an adjustment of the labour force competencies and an upgrade of the technological and organisational capacities of companies and public administration.
The ongoing changes in the economy are also reflected in the structure of the financial system, since the transformations imposed by the technological change and particularly by the digital innovation, are profoundly modifying the organisational structures of banks and their financial services distribution methods.
Despite the complex situation in 2021, when the bank’s operations were still profoundly impacted by the lockdowns and the need to adapt to new organisational structures linked to the health emergency, the financial year closed with a profit for the year of € 15,023 thousand and saw the capital, income and efficiency indicators improve.
The motto from 2020, #IlNostroImpegnoEsserci (#OurCommitmentToBeThere), present in all internal and external communication, was changed in 2021 to #InsiemePerIlFuturo (#TogetherForTheFuture) to reaffirm our bank’s role as a local bank that can rely on a stable shareholding structure such as the Fondazione and a major national bank like Intesa Sanpaolo S.p.A. and represents the realisation of the social responsibility that constitutes the real added value that our business boasts over larger banks.

INTERNATIONAL SITUATION

In 2021, the global economy was characterised by a "hiccup" trend. In advanced and emerging countries, the GDP suffered in the third quarter a widespread slowdown, before recovering partially in the final quarter of the year. The slowdown is attributable to the price increase of raw materials and to fears linked to the evolution of the COVID-19 pandemic and to the conflict between Russia and Ukraine. In the same period, inflation grew further nearly everywhere, affected by the increase in the energy prices and intermediate inputs and the recovery in internal demand.

At global level, according to the latest scenario published by the International Monetary Fund, in 2022 product should expand by 4.4 %, half a percentage point lower than what was predicted in October 2021. In the third quarter of 2021, GDP slowed in both the main advanced economies, with the exception of the Euro area, as well as the emerging economies. In the United States, consumption decreased due to the spread of the Delta variant during the summer months. After summer, global trade of goods and services slowed, also due to the ongoing significant bottlenecks in the supply of semiconductors, an essential component for electronic equipment and other durable goods. According to the forecasts released in December by the OECD, the global product grew by 5.6 % in 2021 and will slow to 4.5 % in the current year. The outlook remains similar from country to country: next year, product in the advanced economies will be back in line with the trend before the start of the pandemic, while recovery will remain most fragile in the emerging economies, especially in those least developed.

In the Euro area, product decisively decelerated towards the end of the year, as a result of the rise in infections and ongoing tensions in supply chains, which pose obstacles to manufacturing. Inflation reached its highest value since the start of the currency union, due to exceptional price increases in the energy segment, in particular gas, which was also affected by geopolitical factors in Europe. According to Eurosystem staff projections, the inflation should gradually decrease over the course of 2022, reaching 3.2 % in mid-2022 and 1.8 in the 2023-24 two-year period, while the GDP should increase by 5.1 % in 2021 and by 4.2 % and 2.9 % in the following two years.

At the meeting of 16 December, the Governing Council of the European Central Bank stated that the progresses on economy recovery and towards the medium-term inflation target allowed for a gradual reduction in net purchases of financial assets over the coming quarters, and believed that the monetary arrangement was still necessary until inflation stabilises at the 2 % target in the medium term and that, in an economic context of high uncertainty, the conduct of monetary policy should remain flexible and open to various options in relation to the changing macroeconomic framework. In late October, on a proposal of the European Commission, the Council of the European Union approved the national plans of Estonia, Finland and Romania defined as part of the Recovery and Resilience Facility (the main tool of the Next Generation EU programme), which joined another 19 countries already approved. The total resources provided for pre-financing until now have exceeded € 56 billion. Between the end of November and the end of December, France, Greece and Italy sent disbursement requests for the first instalment of the resources envisaged by their respective plans to the Commission (7.4, 3.6 and 21 billion, respectively).

ITALY

Since the start of the pandemic, the Italian economy has shown a strong ability for recovery, showing encouraging signs on its basic conditions. Industrial production had already returned to pre-pandemic levels since last spring; GDP should return to pre-pandemic levels in mid-2022 while the employment towards the end of the year. The economy greatly benefited from the support measures, which, by protecting the industry and the employment during the most acute phases of the crisis, allowed for a rapid recovery in activity once the containment measures were eased.

Growth in Italy continued at a fast pace until the third quarter of 2021, supported
especially by household consumption, while in the fourth quarter GDP recorded a strong slowdown, affected by the fresh wave of the pandemic, in addition to companies' persistent procurement difficulties. In the fourth quarter of 2021, the Italian economy recorded a 0.6% growth compared to the previous three months, and 6.4% on an annual basis. This was announced by ISTAT its flash estimate, and was higher than most of the forecasts and indicated an expansion in both industry and services. According to the most recent information provided by the Bank of Italy, the expansion in industrial production, ongoing since early 2021 at a pace of around 1% per quarter, weakened in the final three months of last year. In business

appraisals, the growth in investment will continue in 2022, though by less than 2021. The improvement in the Italian economy was distributed across the sectors but with more intensity in added value in services (+3.4% increase) compared to industry in the strictest sense and to construction (0.8% and +0.6% respectively). Among the services, the largest improvement was seen in the sector of trade, transport, accommodation and catering (+8.6%), characterised by the recovery in the accommodation and catering services activity (+71.2% increase in turnover compared to the second quarter). In the third quarter of last year, the debt of Italian non-financial companies dropped compared to the previous quarter. Bank loans decreased for all company sizes. Liquidity held by companies in deposits and current accounts increased slightly, albeit at a significantly slower pace than the previous quarter. The labour market recorded stagnation in the unemployment rate throughout 2021, coming close to pre-pandemic values. Throughout the entire financial year 2021, Italian exports continued to grow, benefiting from the recovery in international tourism. In the third quarter of 2021, overseas sales of goods recorded a slight decrease, which was more limited than that of global trade and partly connected to supply bottlenecks; in the bimester October-November, they remained stationary. Overall, in the first eleven months of the year overseas investors made net purchases of Italian securities. In terms of households, following the strong expansion in the second and third quarters, the most recent figures suggest a decisive slowdown in household consumption in the final part of 2021. The upsurge in infections and consequent worsening of the outlook on the country's economic situation increased caution around consumer purchasing decisions. In the third quarter, the drop in the propensity to save continued. After summer, the number of employees continued to grow; the recovery in demand for work translated, in a more accentuated way, to an increase in the hours worked and a reduction in the use of wage subsidy instruments. According to the most recent data, the positive trend in the labour market also continued in the fourth quarter. The stagnation in the unemployment rate is the result of the gradual recovery in labour supply, which grew closer to pre-pandemic levels. Changes in contractual renewals doew not foreshadow significant accelerations in salaries in 2022. In November, the unemployment rate decreased to 9.2% compared to 9.4% in October, thanks to the independent component of the increase in people in employment (+1.3% compared to October) – due to the upturn which, in the third quarter, affected the construction, trade, car and motorcycle repair, transport and storage sectors, as well as accommodation and catering services – and to a lesser extent to temporary employees (+0.6%). Inflation reached high levels in the last part of 2021, driven by the exceptional growth in energy prices. In December, the change over twelve months of the harmonised index of consumer prices was 4.2%, continuing the phase of accentuated growth that began in the summer. The growth in prices continued to reflect especially the further strong upturn in the energy segment, whose change since the previous year was nearly 30%. Underlying inflation increased to 1.5% in December; it was impacted both by price changes in services, especially accommodation, and the growth of the prices of non-energy industrial goods. As a whole, in 2021 inflation grew to 1.9% from -0.1% in 2020.

MARCHE REGION

In 2021, the economic situation in the Marche improved vastly compared to 2020. While in the first quarter economic activity was still slowed by the pandemic, in the second and third quarter a consistent recovery was seen, favoured by the improvement in the health situation, associated with the progress of the vaccination campaign and the consequent easing of restriction measures. Business and household confidence benefited from this and was notably stronger. Based on the quarterly regional economy indicator (ITER) prepared by the Bank of Italy, on average in the first half of 2021 the Marche product grew by around 8.5%, more than in the whole of Italy (compared to a more accentuated drop in the first half of 2020). The product level remains however well below pre-pandemic levels. The recovery was distributed across the sectors, but with varying intensities. In the first nine months of the year, in the manufacturing industry, changes in economic activity were higher for mechanics and for household goods (furniture and domestic electrical appliances); in the shoemaking sector, which was particularly penalised during the most acute phase of the pandemic, recovery was modest. Exports began to increase again, especially for the mechanical segment. The construction sector, also driven by post-earthquake reconstruction and tax incentives for redevelopment energy-related renovation of buildings (Superbonus), reported a strong increase in production in the first six months, with levels exceeding those prior to the pandemic. In the tertiary sector, trade benefited from the recovery in household spending; the summer tourist season was positive, favoured by accentuated regional specialisation in the domestic segment. The financial requirement of companies was limited by the high levels of liquidity that had been accumulated: in the first half of 2021, demand for credit weakened, in the presence of accommodating supply, and the growth in loans progressively slowed. Conditions on the labour market improved from the second quarter, though employment levels remain lower than those prior to the pandemic. From June, in the private sector, the total balance between new hires and terminations of employment relations surpassed the 2019 figures. The net creation of new jobs mainly took place through fixed-term contracts and heavily involved the services sector, especially those linked to the tourism and leisure activities which had suffered from the effects of the health emergency the most. Use of social security cushions, although still at historically high levels, reduced significantly. Improvement in the conditions on the labour market and the favourable evolution of the epidemic benefited the recovery of consumption and the more intense recovery of property transactions. In the first half of 2021, bank loans to customers residing in the Marche increased, albeit with a lower intensity compared to the previous year (2.4 % in the twelve months ending in June, from 5% in 2020). Lending to companies slowed to 3.5% from 8.2 % while growth in household lending was strengthened (1.4 %, from 0.8%). According to the indications provided by the banks operating in the Marche and participants in the Regional Bank Lending Survey (RBLS), the strong expansion in demand for loans from companies, which had characterised the whole of 2020, was interrupted in the first half of 2021. In the presence of ample liquidity of companies, the weakening would depend on lower financing needs for working capital and investment. A positive contribution to the demand continued to come from restructuring requirements in relation to prior debit positions. Applications for financing decreased in manufacturing and services, but increased in construction. In the first half of 2021, the demand for loans to households for property purchases grew further, benefiting from the improved prospects on the property market, the more favourable climate of confidence and the low interest rates. Applications for consumer credit increased significantly after the decrease in the previous year. Credit quality indicators have not yet been affected by the pandemic, also thanks to government measures in support of the economy, the accommodating monetary policy and the indications from the supervisory authorities to intermediaries about loan classification criteria. Deposits continued to expand notably, especially in the more liquid segment. The most recent projections on the Marche economy – published by Prometeia in October 2021 and reprocessed by the Marche Region in the Regional Economy and Finance Document – predict recovery for 2022 and the years thereafter, although at lower levels than the national ones. GDP is predicted to rise by 3.3% in 2022, by 2.5% in 2023 and by 1.7% in 2024. The Covid-19 pandemic highlighted the importance of digital development in the region, favouring the continuation of employment activities through the use of agile working, as well as education, through the activation of remote teaching. In the Marche, the digital transition is trailing behind the rest of Italy, especially in terms of the integration of digital technologies into production processes by companies. There are, however, short-term improvement prospects for digital development, thanks to a much-awaited upgrade in the ultra-high capacity connection infrastructure.

FINANCIAL MARKET TRENDS

News of the spread of the Omicron variant influenced the trends on the financial markets in the second half of the year, influencing stock prices and contributing to larger sovereign spreads in the euro area countries. The euro continued to depreciate against the dollar, despite expectations of a less expansive monetary policy in the United States. The worsening in the health situation since the start of November contributed to an increase in the aversion to risk, which was reflected in a generalised drop in long-term returns, most accentuated in the economies with government bonds deemed more secure, like the United States and Germany. However, since early 2022, returns have started to grow again, even despite expectations of a faster normalisation of the US monetary policy: in mid-January, returns on 10-year securities were 1.8 % in the United States. The yield spread in the euro area countries compared to German securities increased, and to a greater extent in Greece and Italy. To ensure the achievement of the symmetric 2%, inflation target, in line with its new monetary policy strategy, the Governing Council of the ECB anticipates maintaining the benchmark interest rates at their present or lower levels until forecasts arise where inflation reaches the target well ahead of the end of its three-year projection and in a durable manner, and until the realised progress in the underlying component is sufficiently advanced to be consistent with inflation stabilising at 2% over the medium term. Net purchases of public and private securities in the context of the Asset Purchase Programme (APP) of the Eurosystem continued as per usual: in late December their carrying amount was 3,123 billion. The net purchases made in the context of the Pandemic Emergency Purchase Programme (PEPP) at the end of November brought the carrying amount of the portfolio of securities purchased through this programme to 1,536 billion. In Italy, the financial markets were affected in the final quarter by three factors: i) fears linked to the increase in global infections, ii) uncertainty around the severity of the new Omicron variant and its possible repercussions on economic recovery, and iii) expectations on the conduct of monetary policy. Return on the ten-year BTP Italian government bonds increased from 0.84% in early October to 1.14% in late December 2021 before settling at 1.60% in the last session in the first week of February 2022, in line with the statements by the President of the ECB, Christine Lagarde, who after the ECB Governing Council on 3 February, did not rule out, in 2022, a possible restrictive turning point in the monetary policy, postponing until the next Council in March further reflections based on updated data on the inflation trend and energy costs. On 22 December, the tenth and final operation of the third series of targeted longer-term refinancing operations (TLTRO3) was settled, with which 52 billion was assigned to euro area counterparties, of which 22 to Italy: following repayments for 60 billion, the total funds disbursed with the TLTRO3 decreased to 2,198 billion for the area, of which 452 for Italy. The first operation will mature in September 2022, the final one in December 2024.

THE ITALIAN BANKING SYSTEM

The support measures for households and companies and the economic recovery helped to mitigate the effects of the pandemic on the quality of banking in 2021. The loan deterioration rate remained stable at historically low levels. Transfers of bad exposures and unlikely to pay exposures continued, contributing to further reduce the non-performing exposures and their impact on total financing. According to the figures published by the Bank of Italy, the profitability ratio increased significantly in the first half of the year, mainly as a result of the decline in impairment losses on loans and, to a lesser extent, the increase in asset management fees, higher revenues from trading and the decrease in operating costs. The economic effects of the pandemic were not reflected in an increase of loans with repayment difficulties in 2021. The flow of new non-performing loans in relation to performing ones remained subdued: in the third quarter of 2021, it had fallen to 1%, benefiting from the policies in support of households and companies and the recovery in economic activity. Non-performing exposures net of impairment losses totalled 48 billion (100 gross of impairment losses) in June 2021, down by 3 billion compared to the end of 2020. According to the estimates of the ABI, in December 2021 funding from customers of all banks operating in Italy was € 2,063.4 billion, up by 5.4% compared to one year prior. In detail, deposits from resident customers recorded, in December 2021, a year-on-year increase of +6.6%, while annual differences in bonds were negative at -4.4%. Interest rates on bank funding remained substantially stable. The average rate of funding from customers was 0.45% in December 2021. In particular, the rate on deposits in euro applied to households and non-financial companies was 0.31%, bonds 1.75% and reverse repurchase agreements 0.70%. Total loans to residents in Italy at December 2021 amounted to € 1,716.3 billion, with an annual increase of +1.2%. Loans to residents in Italy in the private sector increased by +1.6% compared to one year prior. Loans to households and non-financial companies totalled € 1,331 billion. On the basis of estimates made using data published by the Bank of Italy, the annual increase in loans to households and companies was +2.5%. In December 2021, the rate on loans in euro to households for property purchases was 1.40%. Of all new financing disbursed, 83.8% were fixed-rate loans. The average rate on new loans in euro to non-financial companies rose to 1.29%. The weighted average rate on all loans to households and non-financial companies, on the other hand, was 2.16%. The spread between interest rates on loans and rates on funding was particularly low in December 2021. The spread between the average rate on loans and the average rate on funding to households and non-financial companies was 171 bps. Non-performing exposures, net of impairment losses and accruals, totalled € 15.1 billion in December 2021, a decrease compared to the 20.9 billion in December 2020 (-5.8 billion, or -28.0%) and to the 27.0 billion in December 2019 (-12.0 billion, or -44.3%). The ratio of net bad exposures to total lending was 0.86% (1.21% in December 2020, 1.58% in December 2019).
Total securities in the portfolio of banks operating in Italy was € 633.2 billion. According to the official data of the Bank of Italy, updated at December 2021, the amount of government bonds in bank financial statements was 391.0 billion, corresponding to around 63.9% of the total portfolio.

THE BANK'S OPERATIONS

The financial year ended 31 December 2021 was still strongly affected by the COVID-19 pandemic and the bank continued to support companies and households in the region by implementing the measures put in place by the government to promote the recovery of the industry. In order to ensure the safety of customers and employees, all protocols and precautions in line with the provisions of the government health authority were adopted, in accordance with the head of the prevention and protection service and the bank's employee representatives for safety.

In summary, the activities carried out for implementation of government measures involved:

- Extension of the option to stipulate contracts digitally envisaged by the Liquidity Decree (Decree Law 23/2020) until 31/3/2021 as defined by the Milleproroghe Decree (Decree Law 183/2020), until 30/4/2021 as defined by the conversion law (Law 21/2021) of the Milleproroghe Decree (Decree Law 183/2020), until 31/7/2021 as defined by Decree Law n.52/2021.
- Adaptation to the regulatory amendments introduced by the 2021 Budget Law (L.178/2020) and by the Ristori Decree (Decree Law 137/2020).
- Implementation of the measures for access to loans and the liquidity of companies envisaged by the Sostegni Bis Decree (Decree Law 73/2021) in relation to the extension of the moratoria for SMEs envisaged by article 56 of Decree Law 18/2020 (Cura Italia). In particular, with the intention to support companies that suffered the consequences of the pandemic and to assist in their recovery, the government issued the Sostegni Bis Decree on 25/05/2021, which set out measures for access to loans and the liquidity of companies, including art.16 to extend the moratoria for SMEs envisaged by article 56 of Decree Law 18/2020 (Cura Italia). The legislation provides for the extension until 31/12/2021 of all measures set out by article 56 (non-revocability, extension and suspension of instalment financing).
- Change to the processes related to the tax incentives envisaged by Decree Law n.34/2020 regarding the Superbonus 110% for adaptation to legislative developments, simplification of activities and management of the credit purchased by the bank.
- Implementation of the measures for access to loans credit and the liquidity of companies envisaged by the Sostegni Bis Decree (Decree Law 73/2021) in relation to measures in support of the liquidity of companies and measures in favour of purchasing homes and preventing and combating youth maladjustment.
- Further suspension until 30/9/2021 of the due dates related to promissory notes, bills of exchange, other negotiable instruments and any other enforceable deed, as envisaged by the Budget Law (L.106/2021).
- Update to the internal regulations on reducing the total cost of credit in the event of early repayment of a loan subject to the regulations on "consumer credit", following the regulatory developments introduced by the Sostegni Bis Decree (Decree Law n.73 of 25/5/2021).

Commercial activities, in addition to the development of the products already in the catalogue and the information mentioned in relation to the COVID-19 emergency, led to an addition to the agreement between the bank and the "UNI.CO." Credit Guarantee Consortia, with which the parties undertook to support the reconstruction of the damages suffered by residential buildings and production activities following earthquakes through the governance of relations intended to promote the financing of the reconstruction and to ensure loans in favour of the companies carrying out the works. The agreement with ConfidiCoop Marche was also supplemented with the provision for a new product aimed at micro and small businesses that suffered negative economic repercussions caused by the government measures adopted in November 2020. A collaboration agreement was also signed with SIFIN S.r.l. a company operating in the factoring market, for the recommendation of customers (companies) interested in factoring products.

With reference to the asset management, the Ingegno multi-class insurance product by Arca Vita was reviewed, with expansion of the range of external funds and new contractual options. Two new insurance products were placed: "Incendio abitazione civile" by Arca Assicurazioni and "Salva Mutuo Flex Formula Unica" by Arca Vita. To allow customers to make the most of the opportunities offered by the new ESG regulations, the bank also added CPR-Amundi (Credit Agricole Group) thematic funds to the catalogue. These funds join the 3 Eurizon thematic funds already in the catalogue, but have different areas of investment that are complementary and/or supplementary, all with a strong connotation of sustainability that open investment strategies to all central topics in the EU and USA fiscal policies post-COVID, widening the possibility to diversify the asset allocation of our customers to innovative and strategic sectors with a major impact on the future of the planet and new generations.

In order to encourage remote payments, the new version of the Nexi Prepaid card was introduced, with automatic renewal upon expiry. In the second half of the year, placement of the "Nexi Debit Business" debit card began, aimed at natural persons who own businesses (artisans, tradespeople, farmers and professionals), as well as the Nexi Classic balance credit card, aimed at consumers with basic requirements and lower maximum amounts. New functions were added for users of the internet banking service for the autonomous transition to the "Mobile Token" strong customer authentication system, with related communication plan, and the strong customer authentication (SCA) systems were activated for online payment transactions with payment cards (Nexi credit and prepaid cards and Carifermo debit cards), in accordance with the PSD2 (Payment Services Directive). A simplified login function was added to the Carifermo Mobile app using biometric recognition and at the start of November, the Carifermo Mobile app for the Android operating system, already available on the Google Play Store, was also published in the Huawei AppGallery. Furthermore, the bank, which has always been mindful of the security of the digital channels, in late June subscribed to a system that could counter attempts at fraud on payment transactions carried out online. The new anti-fraud system is being activated in collaboration with CSE and will be fully operational in 2022. A new password reset function was added for the Carifermonline internet banking, which can be used directly by the user by sending a PIN via SMS. In the second half of 2021, the instant transfer service was activated, currently only for receiving payments, based on the European "SCT Inst" scheme, which makes it possible to transfer a sum of money in euros in real time to the recipient's account and confirms it to the sender within a few seconds of the payment order.

The bank has been committed for some time to investments in projects that improve the quality of the services offered to customers through digital channels and "self service areas" and to expand the range of functions provided for customers via electronic devices, customers can now:

- use ATMs to: a) book or make RIBA payments; b) pay the car property tax; c) book or make a payment via F24 (ordinary form and simplified form), only available on the bank's ATMs with a touch screen
- use TCRs (currently installed at agencies 1 and 17) to pay CBILLs, to private recipients or public administration bodies, with a debit from the current account.

With reference to the main internal organisational processes, the use of the advanced graphometric electronic signature was extended to the new forms for products placed by IC procedure. A new technical interview standard was activated between Nexi and CSE named OBI - On Boarding Issuing, related to the sales process and the after-sales operations of the Nexi credit card products and the new UNI30 portal was activated for the placement and after-sales operations of Intesa Vita pension products.

The regulatory adjustments involved the PAD (Payment Accounts Directive) on payment accounts offered or subscribed to by consumers, with the new document "Statement of Fees" (SOF) first sent on 31/12/2020, the IDD on insurance distribution and governance and control requirements of insurance products, in force from 31/3/2021, in particular IVASS Measure no. 97 of 4/8/2020, CONSOB Resolution no. 21466 of 29/7/2020, IVASS Regulation no. 45 of 4/8/2020. Adjustments were also made to contracts with customers as per Regulation (EU) 2016/1011 of 8 June 2016 (Benchmarks Regulation) and a unilateral change in the conditions applied to accounts in foreign currency following the discontinuation of the LIBOR rates from 1/1/2022.

In line with EBA guidelines, the operations status monitoring (MC2) procedure was adopted to monitor NPLs, as a replacement for the exposure monitoring (MC1) procedure. During the year, the "Anti-corruption Policy", "Complaints Management Policy" and "Policy on purchasing and supplier selection" were approved and the "Cash Management Regulation" was updated**.** The company organisational chart was revised in relation to the Legal Office, General Secretary, Quality and Complaints and External Relations Unit. Further updates to the organisational chart involved the change of the planning activity to management control, an adjustment to the regulation for prevention and management of market abuse and an adjustment to the policy on managing conflicts of interest (adaptation to the intermediaries regulation, CONSOB Resolution no. 21755 of 10/03/2021). Finally, the new Cariweb intranet was published in order to improve collaborative relationships between the various business units and to simplify the search for information.

In terms of countering money laundering and the financing of terrorism, a review was carried out of the anti-money laundering manual, instructions were issued for the collection of additional information for adequate checks on placement, additional payment and after-sales operations of insurance products. The provisions on customer due diligence were updated to introduce stronger measures for relations, services and operations involving "high-risk third countries", in line with the fifth anti-money laundering directive. A review was carried out of the branch processes related to payment operations and/or cash withdrawals and new current account reasons were introduced, specific to cash operations, for adjustment to the Bank of Italy measure of 24/3/2020 and the communication of 8/3/2021 of the Financial Intelligence Unit (FIU).

The bank's treasury and cash service provided to local bodies continued during the year. During the year, it reinforced its traditional role in this sector by acquiring four new treasury service mandates confirming its leadership role. It intends to encourage and strengthen its partnerships with local bodies to exploit all possible and existing synergies to the advantage of the local communities. At year end, the bank managed 35 treasury services compared to 31 at the end of 2020, as well as cash services for 7 local bodies. The annexes to the financial statements include a list of the bodies to which the bank provides treasury and/or cash services.

The health crisis changed people's lives and habits, profoundly influencing their language, communication and relationships. Communication from the bank during the emergency was mostly focused on digital and on a highly empathetic and inclusive approach centred around authenticity. These dynamics sped up the transition to a dual, "phigital" communication, where the physical and digital come together in an increasingly more coordinated manner. Internal and external communication was mainly carried out on the digital channels and the website is one of the most used tools by customers. The bank worked promptly to schedule the editorial plans on the Facebook, Instagram, YouTube and LinkedIn social channels. Specific activities were carried out in terms of COVID, with internal and external policies linked to the various decrees, with particular regard to how branches were accessed, opening hours, the development of contact channels between the bank and customers and the Green Pass.

With reference to NPLs, in February 2021, the bank transferred a bad exposure without recourse for a nominal amount of € 2.6 million at the price of € 2 million and in March 2021 and August 2021, transferred without recourse to Fondo Efesto, the reserved closed-ended Italian AIF, two positions classified as unlikely to pay exposures, the first for a nominal amount of € 2.1 million at the price of € 915 thousand, paid through the subscription of 930,755.076 shares of the fund, and the second for a nominal amount of € 10.4 million, at the price of € 3.3 million, paid through the subscription of 3,514,366 shares of the fund. Lastly, in December the multi-originator securitisation of bad exposures named "Buonconsiglio 4", was concluded with GACS. As part of this operation, bad exposures for a nominal amount of approximately € 25.7 million were transferred at the final price of € 8.6 million. Therefore altogether, in 2021 the bank transferred NPLs for a total nominal amount of approximately € 40.8 million, making a net loss of approximately € 4.5 million. In March 2021, the bank launched, with the support of a leading consultancy firm, an important project for the repositioning of the lending process, in accordance with the regulatory requirements introduced by the EBA guidelines on loan origination and monitoring with the objective of ensuring the adoption of adequate prudential standards and preventing the generation of new non-performing exposures

Similarly to all less significant institutions, our bank received a request from the supervisory body for the assessment of the effective sustainability of our business model. The bank took prompt action to perform the analysis and prepare an action plan to reinforce its business model to be implemented as part of its strategic guidelines and within the framework of the overall market context. The "Self-assessment of the strategic alignment of banks to post-COVID-19 scenarios and structural changes in the market" ended in March 2021, reaffirming the full sustainability of Cassa di Risparmio di Fermo's business model through autonomous development even in the current market scenario.

From late October 2020, the bank was inspected by the Bank of Italy pursuant to art.54 of Legislative Decree 385/93. The inspection team concluded the on-site checks in February 2021; the inspection report was submitted in May 2021 and the bank's response in June.

ORGANISATION AND WORKFORCE

With reference to the distribution network, with a view to increasing efficiency while maintaining local oversight and guaranteeing the same quality of service across all branches, the bank optimised the opening hours of smaller branches and launched the alternating opening of pairs of neighbouring branches in areas with declining numbers of inhabitants or low possibility of customer development. With reference to the distribution network, the opening hours of a further 6 agencies were reduced. Overall, 43 agencies were only open in the morning, 10 of which on alternating days and one on Saturday morning.

At year end, the bank's 57 branches were located in seven provinces and three regions as shown in the following table:

REGION	PROVINCE	No. of branches at 31/12/2021
Marche	Fermo	27
Marche	Ascoli Piceno	10
Marche	Macerata	12
Marche	Ancona	2
Abruzzo	Teramo	2
Abruzzo	Pescara	1
Lazio	Rome	3

The bank's owned property used in operations has a surface of roughly 23,541 square metres while its leased property has a total surface of roughly 6,573 square metres. The bank also owns properties which it leases for a total surface of 7,014 square metres.

In relation to property maintenance, extraordinary maintenance was completed on the exterior of the San Benedetto del Tronto branch and roof of the Porto S. Giorgio branch was insulated, the renovation of the first floor of the property in Falerone was completed, no longer used as an extension of the agency and in the process of being rented out, extraordinary maintenance was completed on the upper floor of the agency in Petritoli, the spaces of the agency in Cerreto were made more efficient and the Santa Caterina branch was repainted after installation of the next-generation ATM.

The bank had a total workforce of 353 employees, 2 more than the previous financial year:

	Workforce at 31/12/2021	2021 departures	2021 entries	Workforce at 31/12/2020
Managers	2	0	0	2
Junior managers, 3rd and 4th level	49	-3	0	47
Junior managers, 1st and 2nd level	44	-6	1	50
3rd professional group	257	-13	23	251
2nd professional group	1	0	0	1
Total	**353**	**-22**	**24**	**351**

At year end, 346 employees had open-term contracts, 7 had fixed-term contracts and 28 had part-time contracts. The workforce includes 242 employees (68.6%) in the branches and the remaining 111 (31.4%) at the head office.

The employees' involvement in pursuing the bank's objectives, also ensured through ongoing training, is a key HR target as the bank is convinced of their central role. Training activities involved many professional employees and covered all company areas. With reference to the HR management and development policy, compulsory, managerial and specialist training was provided.

Compulsory training is attributable to the activities on anti-money laundering regulations, privacy, Legislative Decree 81/2008, transparency, IVASS and ESMA refresher courses for network staff. Considering the new regulatory impacts on transparency (PSD2, Bank of Italy measure 18/06/2019, etc.), a classroom refresher course was provided for in the funded training plan to be offered to all network/office staff (10 days of classroom training carried out). Managerial and potential development training focused on the skills required to manage and develop resources, in line with the service model based on an ever growing enhancement of individual professionals. During the year, there were numerous training initiatives on conduct, aimed at both managers and professionals, centred around the topic of awareness of one's own role within the company and in line with the management processes (evaluation and development) implemented thanks to the new service model. Workshops continued on the awareness of one's own role aimed at the network figures and hub owners, individual managers and new hires, held by the Commercial Department with support from Human Resources; two events were held on the transfer of knowledge by the Private Customers Office and the Finance Department, intended for the private customers chain (coordinators - managers); the activity of the IEN continued in support of the development process with pilot workshops on assessees and assessors; finally, classroom training sessions were provided on equal opportunities and the generational transition. Specialist training involved: a) training on legislation updates (audits, compliance, credit, finance, IT, right to work, legal); b) "technical" procedural training (CSE). In 2021, 17,069 hours of training were provided, of which 8,015 using video conference and 7,754 in e-learning format. 1,300 in the classroom.

MULTI-CHANNEL TOOL

The internet banking service, which includes on-line trading, is well met by customers and 30,674 customers had activated the service at year end compared to 28,862 at the end of the previous year (+6.3%). With reference to Corporate Banking services for businesses, 6,199 businesses had registered with this service compared to 5,651 in the previous financial year (9.7%).

2021 ATM DEPOSITS				
TAX BASE	**No. of transactions**		**Amount of transactions (€'000)**	
	2021	**2020**	**2021**	**2020**
Cash	105,468	93,988	178,872	161,369
Cheques	31,461	31,918	49,731	44,327

INTERNAL CONTROLS

The current system of internal controls is set up in such a way as to ensure appropriate and careful monitoring of the bank's activities and, especially, those subject to the most significant implicit risks.

The controls involve the board of directors, the board of statutory auditors, senior management and all personnel, based on their roles and responsibilities.

Specifically, responsibility for the internal controls lies solely with the board of directors, whose duty it is accordingly to:

- establish guidelines, strategies and risk management policies;
- approve the bank's organisational structure, ensuring duties and responsibilities are allocated clearly and appropriately;
- regularly check the organisational structure's adequacy and effective working;
- ensure that the control units are sufficiently independent of the other units and have the appropriate resources to correctly carry out their duties.

The board of directors also regularly assesses the internal control's compliance with the bank's business model and their overall functionality, effectiveness and efficiency. It adopts any remedial actions promptly.

The internal controls cover all the bank's operations and are an integral part thereof. They include the following types of control:

- First level controls
    - line controls, that can be carried out by the production units themselves, included in procedures or performed as part of back office activities;
- Second level controls
    - these are carried out by units that define the risk measurement methodologies, check compliance with the limits set by the board of directors on an ongoing basis

and compliance with the assigned risk objectives; second level controls also include compliance controls, aimed at ensuring efficient risk management so as to avoid judicial or administrative sanctions, large financial losses or reputation damages due to the violation of external (laws and regulations) or internal rules;

- Third level controls
  - their objective is to check the correctness of the bank's operations and adequacy of its risk management procedures.

Internal Audit

Specifically, third level controls are carried out by the Internal Audit Unit, which reports directly to the strategic supervisory body: this ensures its independence of the other operating units.

When urged to do so by the Internal Audit Unit, senior management takes steps to eliminate any weaknesses, assisted by the relevant office, due to the non-definition and/or introduction of line or second level controls, the related adequacy or inadequacy of organisational processes and any other aspects that could compromise the working of the internal controls as a whole or risk management.

As regards the second level control offices (Risk Governance Office assigned with Risk Management and Anti-Money Laundering; Compliance and Privacy Office), these are sufficiently independent in order to strengthen their segregation from both the operating and internal audit functions.

Risk management

The Risk Management Unit continued its work during the year aimed at measuring and controlling the different types of risk in line with the instructions issued by the board of directors and the supervisory authorities.

Accordingly, it monitors the following risks:

Market risk

Internal regulations require that the VaR (Value at Risk) method be used to measure market risk. It estimates the maximum potential loss considering market values for a set period of time and a set confidence level at normal market conditions.

The VaR method, developed for management purposes with a special application designed by Prometeia, calculates the maximum potential loss at a confidence level of 99% of the banking book over a period of 10 days. It measures the variability of the banking book's value using risk factors, being interest rates, exchange rates and market indexes.

Liquidity risk

Liquidity risk is measured using an internal model and data provided by the ERMAS application. The board of directors' model is based on the cumulative imbalance between assets and liabilities split by maturity. The bank also regularly monitors the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and the additional liquidity monitoring metrics (ALMM).

In the second half of 2019, the weekly "Report on liquidity" was also launched by the Bank of Italy, with preparation of the maturity ladder according to the provisions of the supervisory authorities' instructions.

Interest rate risk

The model used to measure the banking book's exposure to interest rate risk includes calculation of the risk indicator, in the shock scenarios envisaged by the legislation, considering the maturity or repricing of assets and liabilities as per the supervisory authorities' instructions. It gives the bank's net weighted position compared to its own funds. For ICAAP purposes, the A2 disclosure base of the accounts matrix is used for interest rate risk; exposure to the risk is monitored monthly through preparation of operating reports.

Credit risk

The Unit uses the CPC - Credit Position Control procedure to monitor performing exposures; periodically, a report is also produced for the company bodies.

The credit risk monitoring is also supported by the use of a counterparty internal rating system. The adopted procedure (S.A.Ra. - automatic rating system) classifies customers by credit risk level and estimates the probability of default (PD) based on the counterparty's performance trends, qualitative information obtained in questionnaires and, for companies, assessments of financial statements on a statistical basis and using system analyses. The Risk Management Unit regularly monitors the position of customers in the various risk categories using the S.A.Ra. application's internal rating system.

The S.A.Ra. rating system divides customers into three main segments (Corporate, SME Retail and Retail) and classifies counterparties using a scale of ten classes, consisting of nine for performing counterparties (AAA, AA, A, BBB, BB, B, CCC, CC and C) and one for defaulting counterparties (D). The system has two different methods to measure probability of default (PD), one for businesses and one for individuals.

The internal rating system has also been included in the loan disbursement process, amending the related "delegated powers". Specifically, when positions are rated as CCC or below, the loan approval powers are automatically transferred to general management and are exercised by no lower than the head of the Loans Office.

Single-name and geo-business segment concentration risk

The bank's exposure to business and geographical concentration risk is assessed every three months using Bank of Italy's regulatory models.

Recovery plan

The Italian central bank set out instructions to implement Title IV, Chapter 01-I of the Consolidated Banking Act and Title IV, Chapter I-bis of the Consolidated Finance Act with its measure of 16 February 2017. The two Acts establish the banks' requirement to draw up recovery plans as per Directive no. 2014/59/EU (the Banking Recovery and Resolution Directive - BRRD). Bank of Italy's measure provides that banks identified as "less significant institutions" may adhere to simplified recovery plan obligations and sets out the minimum content that these banks shall include in their plans.

The bank acknowledges the importance of preparing a recovery plan to be independently implemented should its situation deteriorate with the first trigger signs in order not to reach the stage of irreversibility when the regulator would have to either wind up the bank or put it in compulsory liquidation. Adoption of an effective recovery plan is a useful tool to prevent a crisis situation and essential for the bank's governance.

The head of the Administration, Control and Finance Unit reviews and updates the recovery plan every two years, assisted by the Risk Management Unit. The Internal Audit Unit checks each amendment which is also approved by the Management Body (Executive Committee) and the Strategic Function Body. The bank sends the amended recovery plan to Bank of Italy by 30 April every second year.

Operational plan for managing NPE

As required by the "Guidance on the management of non-performing loans for Italy's less significant institutions", the board of directors annually updates the document "Cassa di Risparmio di Fermo's strategy for managing NPE". This strategy firstly aimes at its optimisation, by maximising the present value of recoveries. The strategy is defined on the basis of an analysis of the operating abilities, the market conditions and the characteristics of the NPE portfolios. Both the strategy and the plan are revised annually to include recommendations made by the Executive Committee, the Risk Management Unit in collaboration with the head of the Administration, Control and Finance Unit, assisted by the other competent units. Each amendment is submitted for the approval of the Strategic Supervision Body.

Legislative decree no. 231 of 21 November 2007 – Prevention of the use of the financial system for the purpose of money laundering and terrorist financing

The Anti-Money Laundering Unit continuously verifies the measures adopted to ensure an adequate oversight of the risks of money laundering and financing of terrorism and to optimise the system of internal controls and delegated procedures; to this end, it also suggests organisational, operational and/or procedural changes, including with the support of the IT outsourcer.
Training on the obligations envisaged by anti-money laundering legislation is conducted by the bank continuously and systematically as part of the organic programmes aimed at all personnel, approved by the board of directors.
For the analysis and assessment of the money laundering and terrorism financing risks to which the bank is exposed, in the self-assessment it adopts objective and coherent procedures in accordance with the criteria and methods indicated by the supervisory authority, taking account of the risk factors associated with operations, the products and services offered, the type of customers, the distribution channels and the geographic area of operation.
The self-assessment is conducted annually and sent to the Bank of Italy by 30 April of the year following the year of the assessment, alongside the annual report by the Anti-money Laundering Unit.

Compliance Unit

The Compliance Unit assesses the risk of non-compliance of the bank's strategic and operating decisions. It carries out preventive checks and subsequent monitoring of the effectiveness of procedures, mainly to prevent possible violations or infractions of the relevant legislation.

As provided for by Bank of Italy's Circular no. 285/2013 and subsequent updates, this Unit manages the risk of non-compliance using a risk-based approach, considering all the pertinent legislation.

Accordingly, it has direct and indirect responsibilities. Specifically, the Unit is directly responsible for management of the risk of non-compliance with the more significant rules related to the "core" scope, such as the performance of banking activities and financial intermediation, management of conflicts of interest, transparency versus customers and, in general, consumer protection laws.

As far as the non-core scope activities are concerned, the Unit's functions are scaled and specialised controls defined for each compliance area.

IT risks

The bank's IT systems are mainly housed on an operating platform supplied and managed by CSE - Consorzio Servizi Bancari Soc. Cons. a r.l. on an outsourcing basis. This guarantees the security, quality and reliability necessary for all the services used.

The bank also uses other application packages, mainly to provide IT support, analysis and control functionalities. They are installed and managed directly by the relevant internal offices.

The bank has drawn up ICT regulations and a specific policy given the fundamental importance of IT security.

The bank's primary objective is the security of company IT assets and, therefore, the document has been prepared to ensure the correct performance of the information system, its correct working and resistance to hacking for the equipment exposed to internet risks.

The relevant internal units perform the related controls at different levels, focusing on checking that the security measures are updated regularly to reflect changes in risks deriving from unauthorised access, changes to personal data or its destruction, either unintentionally or intentionally.

As required by law, the outsourcer CSE has a disaster recovery plan which it regularly updates and checks in order to combat the significant risk of disaster and/or hacking.

The bank has a backup plan with all the data recovered from the intranet servers as well as a recovery unit that can ensure complete operating continuity should the main systems be shut down.

In order to reduce the potential risks of on-line connections to the internet, the bank has a special portal and an intranet for internal e-mail management.

All bank employees who handle personal data and use electronic tools undergo training about the related risks and the proper procedures to adopt in order to avoid damaging events

Business continuity and disaster recovery plans

The bank has a business continuity plan prepared with the assistance of its IT outsourcer.

The issue of business continuity includes a purely technological component (disaster recovery) and an organisational aspect, aimed at defining a business continuity plan for emergencies to ensure a return to minimum operations in a short as possible time frame in the case of a disaster.

The plan's objective is to analyse the effects of events that could threaten the continuity of internal operating processes and to design the related preventive and remedial measures as well as any related actions to be taken to restore business operations as quickly as possible.

The bank's business continuity plan is consistent with the business continuity and disaster recovery plans adopted by CSE (Banking services consortium), which are also regularly updated and checked.

IT Audit

The engagement for the IT audit, checks of the general controls and security of the CSE IT systems was assigned to leading specialists by the bank members of the consortium. These consultants also carried out checks and follow-ups of the main findings of the IT audit of the previous year and specific analysis of the system's vulnerability to threats and external attacks.

Another engagement for the important operating functions outsourced to Caricese was also assigned.

Data protection

As provided by Regulation (EU) 2016/279 (GDPR), the bank appointed a data protection officer (DPO) pursuant to art. 37 of the GDPR; the DPO is part of the Compliance and Privacy Office and has various duties including the monitoring of compliance with the GDPR and liaising with the data subjects and the Italian Data Protection Authority.

The Bank adopted a "data protection policy" which defines roles and responsibilities in the context of personal data processing, and "privacy regulations", which outline the operating methods and provide instructions to data processing staff; they are periodically given specific training with the objective of strengthening the controls intended to mitigate the risk of a data breach.

Particular attention is paid to the selection of suppliers qualified as data processors pursuant to art.28 of the GDPR and to the drafting of commercial agreements in terms of compliance with the applicable legislation.

Law no. 231/2001 - Companies' administrative liability

Legislative decree no. 231/2001 introduced the administrative liability of companies for unlawful practices carried out by company key personnel in its interests. This decree provides for the non-liability of companies that have previously adopted and implemented an "Organisational model" suitable to prevent the crimes it sets out.

The bank checked its Organisational Model, also as regards the new predicate crimes, assisted by the supervisory body which checks its working, effectiveness and compliance. The body also ensures that it is up to date.

The duties of the supervisory body are carried out by the board of statutory auditors which may resort to the Internal Control Unit managers for specific functions.

ESG regulations.

As part of the dedicated offer for private customers, Carifermo has long been paying great attention to the selection and offer of products and services that combine ESG approaches and guidelines, influencing the investment and financing behaviours of customers while carrying out an intense integration of ESG aspects into the bank's business. All distribution agreements for third-party products include financial investment, insurance and pension products and services that integrate ESG criteria. In the case of the open pension funds distributed by the bank, all investments require the use of ESG criteria during asset selection. For the multi-class policies of the Unit component, companies offer customers a selection of assets with declared ESG characteristics pursuant to articles 6, 8 and 9 of the SFDR, allowing upon request for investments with a significant ESG component. The OEICs and SICAVs in the catalogue directly promote ESG characteristics by combining the customer's investment goal with their propensity towards sustainability topics.

Over time, thanks to the training provided to the coordinators and managers who provide consultancy and thanks to the financial education aimed at customers, the bank has achieved a significant positioning of investments in funds and OEIC units, allowing most customers to invest with a diversified management strategy, capable of generating value over time with a positive impact on people's well-being and the environment.

In the context of loans to individuals, the bank has provided customers with the car loan, financing dedicated to a car purchase, with the aim of facilitating the renewal of customers' vehicle fleets in favour of transport with a lower environmental impact. In addition, a specific product is being validated which involves further incentives for customers who wish to finance the purchase of hybrid or electric cars. In order to map and analyse the risks associated with property pledged as guarantee for the mortgage loans disbursed by the bank, integrations are being made to the agreement with Revaluta, a partner company for property evaluations, to include energy classification not only in future evaluations but also in updates for properties pledged as guarantee for our previous financing.
Following the entry into force of the government packages related to the 110%/90%/65%/50% Superbonuses the bank immediately offered customers all the tools required to carry out energy efficiency and environmental impact improvements on owned properties, providing for, among other things, the transfer of the tax credit.
With reference to operating processes, Cassa di Risparmio di Fermo launched a programme to digitalise its operating processes some time ago. Among other things, it envisages

- the adoption of the advanced electronic signature (AES): the introduction of the AES made it possible to simplify interactions between the bank and customers, reduce the use of paper, streamline the electronic filing times of documents while avoiding multiple copies and therefore reducing the use of pollutants as well as making energy savings.
- internet banking services (IB-HB) dedicated to individuals and companies (Carifermonline and Prima Web) through which new customers can also open a current account online and sign contracts remotely by sending an OTP (digital signature) from March.
- In monetics, our partner company Nexi Payments is trialling the production of cards made from eco-friendly PETG, a recycled plastic, intended for our customers who are aware of the environmental impact of their decisions.

THE BANK'S FINANCIAL POSITION
Lending

Breakdown of lending by product							
Description	Financial year			Annual Difference		Half year difference	
	12/2021	12/2020	06/2021	Amount	%	Amount	%
Current accounts	54,596	71,740	57,589	-17,144	-23.9%	-2,993	-5.2%
Postal current accounts	11	79	0	-68	-86.1%	11	0.0%
Financing for advances	110,686	89,347	91,600	21,339	23.9%	19,086	20.8%
Loans	901,871	837,548	868,712	64,323	7.7%	33,159	3.8%
Subsidies not settled through current accounts	36,930	35,199	32,887	1,731	4.9%	4,043	12.3%
Loans against pledges	53	51	50	2	3.9%	3	6.0%
Salary-backed loans	11,775	4,448	4,191	7,327	164.7%	7,584	181.0%
Bad exposures	18,270	29,202	28,548	-10,932	-37.4%	-10,278	-36.0%
Portfolio risk	378	377	352	1	0.3%	26	7.4%
Transactions with the Treasury Department	0	0	220	0	0.0%	-220	-100.0%
Total lending	**1,134,570**	**1,067,991**	**1,084,149**	**66,579**	**6.2%**	**50,421**	**4.7%**
- including: in Euros	1,134,437	1,067,017	1,083,886	67,420	6.3%	50,551	4.7%
- including: in foreign currency	133	974	263	-841	-86.3%	-130	-49.4%
					0		
Own HTC securities	288,799	275,698	280,536	13,101	4.8%	8,263	2.9%
Total caption 40. b)	**1,423,369**	**1,343,689**	**1,364,685**	79,680	5.9%	58,684	4.3%

Table 1

Lending net of impairment funds totalled € 1,134.6 thousand, up by approximately 5.9% on an annual basis, while securities in the HTC segment included in caption 40.b) of the statement of financial position amounted to € 288.8 million, up by approximately 4.8% compared to the previous financial year.

An analysis of net lending by product (see Table 1) shows a partial recovery in the main short-term and revocable products compared to the end of the previous financial year, determined by the recovery in economic activities following the slowdown of the pandemic. Continues the decrease in the current account assets (-23.9%), while financing for advances and subsidies settled through current accounts increased by 23.9% and 4.9% respectively on an annual basis. Loans increased by about € 64 million (+7.7%) compared to 31 December 2020, driven by the measures in support of the economy to cope with the effects of the pandemic.

The results achieved are even more significant if correlated with the increase by around 0.8% of lending in the Marche region recorded in November 2021.

355 positions are subject to moratoria until 31December 2021 for 435 loans. 2,494 loans were disbursed with acquisition of the guarantee of the central guarantee fund Law no.662/96 for approximately € 49.94 million with 100% guarantee, 760 loans for approximately € 122.14 million with 80% and 90% guarantee, 218 loans for approximately € 59.54 million as renegotiations with 80% guarantee.

In 2021, Carifermo was once more confirmed as the main bank of reference for households and local businesses. New financing disbursed amounted to over € 301 million, or 3,184 transactions (€ 323million and 4,748 transactions in 2020).

The following table provides a breakdown of the exposures from companies based on their ATECO codes and for amounts exceeding €5 million:

ATECO	Description	Gross	Carrying amount
412000	Construction of residential and non-residential buildings	62,430	52,275
152010	Footwear	46,206	43,804
682001	Property leases	44,393	41,662
681000	Buying and selling of own real estate	26,257	20,845
682000	Lease and management of owned or (rented) property	21,031	20,682
561011	Catering	15,548	14,971
774000	Granting of rights to use intellectual property and similar products	14,336	14,147
152020	Leather parts for footwear	14,325	13,955
152000	Footwear	13,871	10,006
551000	Hotels and similar structures	10,194	9,646
494100	Goods transportation by road	9,983	9,752
581400	Issue of magazines and periodicals	7,683	7,606
251100	Manufacturing of metal structures and assembled structural parts	7,644	7,584
451101	Wholesale and retail sale of cars and light vehicles	7,603	7,247
201500	Manufacture of fertilisers and nitrogen compounds	7,296	1,642
462110	Wholesale of grain and dried pulses	7,143	7,119
591400	Film projection activities	7,140	4,853
012100	Cultivation of grapes	6,679	6,579
463920	Non-specialised wholesale of other foodstuffs, drinks and tobacco	6,510	6,404
256200	Mechanical engineering works	6,448	6,345
222901	Plastic parts for footwear	5,974	5,902
462410	Wholesale of leather and raw and worked skins (excluding fur skins)	5,785	5,037
553000	Camping areas and areas equipped for campers and caravans	5,639	5,510
201600	Manufacturing of plastic materials in primary forms	5,569	5,547
464240	Wholesale of footwear and accessories	5,299	5,144
151209	Manufacturing of other travel items, bags and similar, leather goods and saddlery	5,219	5,085
682002	Business leases	5,128	4,778
	TOTAL	**381,333**	**344,127**

Table 2

With reference to non-performing exposures, the bank implemented the strategies indicated in the NPE plan and the business plan. An analysis of irregular exposures shows new exposures reclassified as unlikely to pay for € 7,628 thousand, of which 7,504 coming from non-performing exposures, while the amount of positions reclassified as bad exposures in 2021 was € 11,087 thousand, of which € 9,068 thousand from exposures already classified as non-performing. Total and partial write-offs were made during the year for around € 2,544 thousand. The volume of collections of unlikely to pay exposures is € 4,765 thousand, while collections of bad exposures amount to € 6,464 thousand. As previously mentioned, during the year, NPLs were transferred for a total of 40.8 million.

Gross non-performing exposures decreased overall by € 46.3 million (-29.4%). As part of this caption, bad exposures decreased by 30.6%, while unlikely to pay exposures decreased by 28.8%; non-performing past due exposures recorded a negligible level and came to € 802 thousand. The significant decrease in gross non-performing exposures was determined by the transfers carried out in the year, in addition to the internal recovery activities, in line with the strategies envisaged in the NPL plan for a total nominal amount of approximately € 40.8 million, making a net loss of € 4.5 million, as described previously.

Net non-performing exposures recorded a decrease of 33.9% compared to 31 December 2020 and a decrease of 24.5% compared to the figure from the 1st half of 2021.

The following table shows the performance of irregular exposures and the bank's coverage rate:

NON-PERFORMING EXPOSURES		31/12/2021	31/12/2020	Difference amount	Difference %
Total non-performing exposures	Gross amount	111,292	157,553	-46,261	-29.36%
	Impairment losses	64,696	87,045	-22,349	-25.68%
	Carrying amount	**46,596**	**70,508**	**-23,912**	**-33.91%**
coverage rate		*58.13%*	*55.25%*		
Bad exposures	Gross amount	59,802	86,166	-26,364	-30.60%
	Impairment losses	41,531	56,964	-15,433	-27.09%
	Carrying amount	**18,271**	**29,202**	**-10,931**	**-37.43%**
coverage rate		*69.45%*	*66.11%*		
Unlikely to pay exposures	Gross amount	50,688	71,146	-20,458	-28.75%
	Impairment losses	23,034	30,042	-7,008	-23.33%
	Carrying amount	**27,654**	**41,104**	**-13,450**	**-32.72%**
coverage rate		*45.44%*	*42.23%*		
Past Due	Gross amount	802	241	561	232.78%
	Impairment losses	131	39	92	235.90%
	Carrying amount	**671**	**202**	**469**	**232.18%**
coverage rate		*16.33%*	*16.18%*		

Table 3

The positive downward trend in non-performing exposures is reflected in the trend of the gross NPL/gross lending indicators which assumes a value at the end of 2021 of 9.19%, while the net NPL/net lending indicator assumes a value of 4.11%. Both indicators mentioned reached and exceeded the targets for the end of 2021, defined in the NPL plan approved on 30 March 2021, equal to 10.7% for the gross NPL/gross lending indicator and 5.3% for the net NPL/net lending indicator respectively.

Overall, the coverage of irregular exposures increased to 58.13%, up on the figure from December 2020 (55.25%), while the total exposures recorded a coverage of 6.31 %.

CREDIT RISK at 31.12.2021

LENDING	31/12/2021			31/12/20		Difference gross exposures		Difference net exposures		Coverage	
	Gross amount	Total impairment	Carrying amount	Gross amount	Carrying amount	Amount	%	Amount	%	31/12/2021	31/12/2020
A. NPE	**111,292**	**64,696**	**46,596**	**157,553**	**70,508**	**-46,261**	**-29.36%**	**-23,912**	**-33.91%**	**58.13%**	**55.25%**
A.1. Bad exposures	59,802	41,531	18,271	86,166	29,202	-26,364	-30.60%	-10,931	-37.43%	69.45%	66.11%
A.3. Unlikely to pay exposures	50,688	23,034	27,654	71,146	41,105	-20,458	-28.75%	-13,451	-32.72%	45.44%	42.22%
A.2. Past due exposures	802	131	671	241	202	561	232.78%	469	232.18%	16.33%	16.18%
B. Performing exposures	1,099,715	11,740	1,087,975	1,010,549	999,703	89,166	8.82%	88,272	8.83%	1.0675%	1.07%
TOTAL	**1,211,007**	**76,436**	**1,134,571**	**1,168,102**	**1,070,212**	**42,905**	**3.67%**	**64,359**	**6.01%**	**6.31%**	**8.38%**
Bad exposures/total exposures									**NET**	**1.61%**	**2.73%**
NPE/total exposures										**4.11%**	**6.59%**
Bad exposures/total exposures									**GROSS**	**4.94%**	**7.38%**
NPE/total exposures										**9.190%**	**13.49%**

Table 4

Collective impairment losses on performing exposures were recognised using the impairment rules of IFRS9. The percentage of collective impairment loss is in line with the closure of the previous financial year, at 1.07%

Under IFRS9, performing exposures are classified into 2 stages:

- Stage 1: performing exposures which have not seen a significant increase in their credit risk since initial recognition.
- Stage 2: performing exposures which have seen a significant increase in their credit risk since initial recognition.

The division of performing exposures into Stage 1 and Stage 2 is shown below:

Stage	financing with customers	Impairment losses	% hedged
Stage 1	900,834	5,933	0.66%
Stage 2	198,881	5,807	2.92%
Total	**1,099,715**	**11,740**	**1.07%**

The bank defined the criteria for a “significant increase in credit risk”, i.e., the criteria for their reclassification to stage 2, considering indicators such as a worsening in the commensurate probability of default of the counterparty on the basis of the rating system used by the bank, a worsening in the internal performance score (credit position control - CPS - score), the number of continued past due/overdrawn days and whether forbearance measures have been applied.

The 12-month PD was applied to performing exposures in stage 1 while the lifetime PD was applied to stage 2 performing exposures in order to calculate the expected loss.

The impairment losses were calculated considering a 12-month horizon for all those exposures that have not shown a significant deterioration while a lifetime horizon was considered when there was a decrease in the borrower’s credit rating during the year.

As required by IFRS 9, the definition of expected credit losses for performing exposures includes forward-looking information.

The general and sector macroeconomic framework, still affected by significant uncertainty caused by the continuation of the COVID-19 pandemic and the associated containment measures, continues to require that banks govern the impacts of this situation on the credit risk and related financial statement measurements. In this regard, in 2021 the bank continued to monitor the situation, with dedicated analyses aimed at identifying the best way to intervene on the credit risk measurement and forecast systems, aligning them with changes detected from time to time and avoiding excessive pro-cyclicality in the definition of collective provisions, as recommended by the regulators (especially ESMA and ECB).

The bank implemented the EBA indications, issued several times throughout 2020, on the treatment of moratoria (statutory and professional) and, in 2021, implemented a careful monitoring of the performing exposures subject to moratoria in order to assess their correct classification in the financial statements.

In order to limit the effects associated with the estimated economic recovery, a number of “top-down” corrections were applied, including the “expert” assignment of the probability of occurrence of the macroeconomic scenarios considered by the ECL model (multiscenario), in particular the probability of the adverse scenario.

Refer to part E of the notes to the financial statements for further considerations on the monitoring implemented by the bank during 2021.

With reference to the asset brokerage business, the following activities were carried out during the year:

Leasing: the bank continued its operations in the finance lease sector in collaboration with Fraer Leasing S.p.A., leading to the execution of 31 contracts worth € 4.1 million in addition to 21 contracts agreed with Alba Leasing for € 6.7 million.

Credit cards: the bank was again very active in this sector with a total 18,936 credit cards issued at year end, with an increase in 698 new cards. The issue of Viacard and Telepass cards recorded 10,144 cards, an increase of 98 cards over the previous financial year.

Consumer credit: the bank’s operations in this segment led to a recovery compared to the previous financial year, allowing for a return to pre-pandemic figures. 991 personal loans were granted by the bank, both directly and through major specialised companies, for approximately € 17 million.

Investments

In 2021, the financial markets benefited from the support policies of the central banks and governments. Following a scarce budget in 2020 due to the coronavirus emergency, the upswing in the global economy, supported in Europe by the NRRP, in the United States by the major

plans in support of the economy and in general by the accommodating policies of the central banks, made every stock listing soar, achieving excellent performance at least for the first eleven months of 2021 also thanks to corporate profits.
The share indexes reached new maximum levels, with the USA indexes and nearly every European index gaining more than 20% in the year, while the Nikkei gained only 5%.
After good performance for nearly all of 2021, towards the end of the year the bond markets experienced an increase in medium and long-term returns caused by the continuous inflationary pressures which led all the central banks towards an acceleration of fewer purchases of bonds and some, such as the United States and England, even turned to rate increases.
In this context, following a fluctuating performance in the first half of the year, the returns on ten-year securities increased again. At year end, the US ten-year rate was 1.60%, while the German Bund was -0.10% and the return on the BTP Italian government bonds had increased to 1.20% and the spread with the German Bund was 130 points.
As regards currency, the dollar's recovery over the euro came to a halt at the end of the year, following an appreciation of around 8%. During the period, the pound sterling also appreciated by around 8%, while the yen depreciated by 3%.

Asset management

In the Total Return management of Epsilon SGR, stock exposure, limited for most of the year, was increased in the final month to close the financial year with a weighting close to 10%, with a preference for Europe, followed by the United States, Japan and emerging countries. Investments in bonds increased by around 2% during the year and were split between corporate securities for 47% of the portfolio, government for 12%, global bonds in foreign currency for 7% and the remaining 24% was positioned in liquidity. The duration of the portfolio, around 1.3 years for nearly the entire year, was reduced in December to around 1 year, through the purchase of put options on German government bonds. The performance in favour of the optional strategy further reduced the duration to 6 months at the end of the year. In terms of currency exposure, the weighting of emerging currencies was increased to 6%, with no changes to other currency exposure with around 2% yen and 2% dollar. Annual operating performance was 1.31%.

In the short-term bond management of Epsilon SGR, investments on Italian government bonds decreased marginally, with a final exposure of 70%, while exposure on corporate securities increased to 30%. The duration increased to just under 11 months, while the annual performance was negative at -0.44%.

With a view to a better diversification of the portfolios managed, in April the bank instructed Eurizon Capital SGR to open a new Total Return asset management product, for the amount of € 50 million. The manager maintained a prudent attitude for the entire financial year and only invested 25% in financial instruments, retaining the remaining 75% in liquidity. At year end, assets were invested for 5% in Italian government bonds, 6% in high-yield bond funds, 2.5% in USA government bonds and 13% in international shares. Operating performance at year end was 1.39%.

In May, the bank sold the remaining investment in the "European Loan" fund managed by M&G, for a value of € 4.78 million. The gain recorded in profit or loss for the sale was € 45.7 thousand.

The bank's investment objectives and related diversification continued to be in line with its prudent approach to all its investments, not solely the financial ones.

The rest of the bank's financial investments is nearly entirely comprised of Italian government bonds with the small remainder consisting of senior bonds issued by major Italian banks and by corporate firms with investment grade ratings.

The assessments of risk using the VaR model, covering both the outsourced component and the portfolio managed internally by the bank, showed that it always remained within the limits set by the board of directors.

The securities held by the bank are distributed across the following portfolios:

HTC (hold to collect): this portfolio includes financial instruments with a steady coupon flow over time; the board of directors decides whether to invest in this type of instrument.

HTCS (hold to collect and sell): this portfolio includes liquid instruments listed in markets where the bank operates with a minimum rating of BBB- or the equivalent for Italian government bonds.

Securities are classified in this portfolio if they will be held over time or sold depending on market trends;

HTS (hold to sell): this portfolio includes financial assets with a minimum rating of BBB- that ensure principal repayment should the short-term scenarios assumed by the finance committee materialise. If the loss thresholds are breached, the financial instruments are sold in the shortest possible timeframe. The portfolio comprises securities included in the management mandates given to third parties.

The value of the bank's securities portfolio (excluding equity investments for € 16,654 thousand and the Efesto AIF for € 3,472 thousand) totalled € 1,324.3 million, an increase on the € 897.7 million at 31 December 2020. The increase is mainly due to the liquidity obtained from the ECB for TLTRO3 operations in late December equal to € 490 million, and to the increase in direct funding which increased more than proportionally to lending.

The breakdown of the portfolios is shown below:

HTC portfolio

HTC portfolio Balance value*				
	Financial year		difference	
	12/2021	12/2020	amount	%
CCT Italian treasury certificates	61,180	61,012	168	0.28%
BTP Italian government bonds	214,513	209,734	4,779	2.28%
Bonds	5,030	5,028	2	0.04%
Senior "Buonconsiglio 4"	8,187	0	8,187	0.00%
Total	**288,910**	**275,774**	**13,136**	**4.76%**

gross of impairment pursuant to IFRS9 equal to €112 thousand at 31/12/2021 and €16 thousand as of 31/12/2020

Table 5

The value at 31 December 2021 of the HTC portfolio was € 288.9 million, an increase on the figure at year end of approximately € 13 million and approximately € 78.3 million compared to 30 June 2021. Investments made as part of the HTC ("held to collect") portfolio, mainly targeting the coupon flow, were nearly entirely represented by Italian government bonds and the senior note of the Buonconsiglio 4 securitisation, in which the bank participated in late December for € 8.1 million. 2021 was an extremely profitable year for the bank for investments in bond assets. The opportunities found on the markets as a result of Italy's changing economic and political situation, led the bank to sell securities from the HTC portfolio for a total nominal amount of € 148,261 thousand, making total gains of € 6,275 thousand. The securities sold were replaced with Italian government bonds that guaranteed the business model's objective to support net interest income. The sales and subsequent purchases were carried out in full compliance with IFRS 9 and the bank's policy for financial risk.

The market value of the HTC portfolio was € 287.09 million; this value includes the amount of € 4.9 million in losses and € 3.6 million in gains.

HTCS portfolio

HTCS portfolio Balance value				
	Financial year		difference	
	12/2021	12/2020	amount	%
CCT Italian treasury certificates	493,809	219,265	274,544	125.21%
BTP Italian government bonds	419,349	256,829	162,520	63.28%
Bonds	0	6,926	-6,926	-100.00%
Total	**913,158**	**483,020**	**430,138**	**89.05%**

Table 6

The financial assets at fair value through other comprehensive income (HTCS) totalled a nominal amount of € 913,158 thousand, with an increase of around € 430 million compared to 31/12/2020. The significant increase is mainly due to the use of liquidity deriving from the aforesaid ECB refinancing operations and by the significant increase in direct funding. An assessment of the HTCS portfolio showed a negative change of € 162 thousand, compared to the reporting date in 2020, in the equity valuation reserve which at year end came to € 5,097 thousand before tax. The gain made from the sale of securities in the year was € 10,626 thousand.

HTS portfolio

HTS portfolio Balance value				
	Financial year		difference	
	12/2021	12/2020	amount	%
BOT Italian treasury bills and zero coupon bonds	0	10,663	-10,663	-100.00%
BTP Italian government bonds	5,729	1,667	4,062	243.67%
CTZ Italian treasury certificates Zero Coupons	1,805	0	1,805	0.00%
Financial Derivatives	235	6		
Funds	4,249	4,734		
Bonds	93,812	121,877	-28,065	-23.03%
Shares and OEIC	6,402	0	6,402	0.00%
Total	**112,232**	**138,947**	**-26,459**	**-19.04%**

Table 7

The carrying amount of the portfolio of financial assets held for trading (HTS) totalled € 112,232 thousand, with a decrease of around 19.23% compared to the balance at 31/12/2020. At year end, the HTS portfolio generated a net loss of € 650 thousand posted to profit or loss. At the same time, changes in the securities of the HTS portfolio recorded gains from trading for a total of € 1,095 thousand. Net trading income (expense) also includes the gains made by futures contracts, linked to the Epsilon asset management and the gains on derivatives from trading, for a total of € 1.1 million and exchange gains for € 588 thousand.

OCIFV portfolio

The OCIFV portfolio accounts for the shares of the Italian AIF Efesto, deriving from the transfer of two unlikely to pay exposures. The valuation of the shares of the AIF at the latest available NAV, adjusted for 15% to take account of the liquidity risk on the shares of said fund, is equal to € 3,472,306 and showed a loss of € 555,850 which was recognised in caption 110/b of the profit or loss. During the year, partial repayments of the shares were also recognised for € 176,223.

This portfolio also includes the 5% of the mezzanine and junior securities attributed following the multi-originator securitisation with GACS, Buonconsiglio 4, equal to € 22,362

Equity investments

The bank has recognised its non-controlling interests in banks, financial and commercial companies in the fair value through other comprehensive income (FVOCI) portfolio and intends to hold on to these investments in the long term. It does not have controlling investments.

The bank had equity investments of € 16,654 thousand at year end compared to € 16,664 thousand at the end of the previous year. They were essentially formed of the investment in the Bank of Italy (€ 10 million) and CSE Consorzio Servizi Bancari S.r.l. (€ 6.25 million).

The annexes to the financial statements show a list of the bank's equity investments at year end, all classified in the HTCS portfolio as they do not meet the requirements for inclusion in caption 100 - Equity investments under Assets.

Funding

During the year, **direct funding** had a positive performance with reference to both households and companies. The dreaded liquidity crisis due to the spread of COVID-19 did not in fact happen, and the drop in consumption and investments due to the lockdown actually increased the cash equivalents of customers. The bank was able to increase the already notable levels of direct funding thanks to financial stability and security passed on to account holders.

The balance of € 2,158.6 million against an amount of € 1,787.4 million in the previous year shows a significant increase of 20.8%.

The following table analyses the direct funding, breaking the caption down into individual product:

Breakdown of direct funding by product							
Description	Financial year			Change since 12/2020		Change since 06/2021	
	12/2021	12/2020	06/2021	Amount	%	Amount	%
Savings deposits	104,043	107,747	106,738	- 3,704	-3.4%	- 2,695	-2.5%
Current accounts	1,935,046	1,579,570	1,695,112	355,476	22.5%	239,934	14.2%
Certificates of deposit	57,934	70,428	68,549	- 12,494	-17.7%	- 10,615	-15.5%
Third party funds under administration	54,960	21,918	35,251	33,042	150.8%	19,709	55.9%
Liabilities for assets acquired under lease	6,620	7,722	7,068	- 1,102	-14.3%	- 448	-6.3%
Total direct funding	**2,158,603**	**1,787,385**	**1,912,718**	**371,218**	**20.8%**	**245,885**	**12.9%**

Table 8

Euro and foreign currency current account overdraft runs were the most important product, increased again on an annual basis by € 355,476 thousand (22.5%) to € 1,935,046 thousand, equal to over 89% of the bank's entire direct funding. The decrease in savings deposits continued, totalling € 104,043 thousand (-3.4%). Certificates of deposit decreased slightly by 17.7% to € 57,934 thousand. "Liabilities for assets acquired under lease" include the recognised liabilities with respect to recognition in the assets of the rights of use deriving from the adoption of IFRS16.

The following table shows the amounts due to customers by business segment and how funding from households equal to 45.1% of the total direct funding decreased compared to 49.5% in the previous year. Funding from businesses increased from 34.6% in 2020 to 35.6% at the end of 2021, while funding from artisans and family businesses was 9.2%, a slight decrease compared to the previous year (-0.4%).

DUE TO CUSTOMERS			
SAE type	Description	Amount	% OF TOTAL
4	COMPANIES	769,506	35.6%
61	ARTISANS AND FAMILY BUSINESSES	197,700	9.2%
60	HOUSEHOLDS	974,303	45.1%
99	OTHER	217,094	10.1%
	TOTAL	**2,158,603**	**100.0%**

Table 9

Indirect funding at year end may be analysed as follows:

Description	Dec-21	Dec-20	Jun-21	Change since 12/2020		Change since 06/2021	
				Amount	%	Amount	%
Government bonds	161,246	140,970	136,057	20,276	14.38%	25,189	18.51%
Bonds	20,382	25,076	23,995	-4,694	-18.72%	-3,613	-15.06%
Shares	107,547	97,947	106,499	9,600	9.80%	1,048	0.98%
Total administered funds	**289,175**	**263,993**	**266,551**	**25,182**	**9.54%**	**22,624**	**8.49%**
Funds and OEIC units	511,582	466,968	497,680	44,614	9.55%	13,902	2.79%
Asset management	39,291	15,391	17,827	23,900	155.29%	21,464	120.40%
Total managed funds	***550,873***	***482,359***	***515,507***	***68,514***	***14.20%***	***35,366***	***6.86%***
Total indirect funding	***840,048***	***746,352***	***782,058***	***93,696***	***12.55%***	***57,990***	***7.42%***
Insurance and pension products	625,998	531,218	577,869	94,780	17.84%	48,129	8.33%
Total	**1,466,046**	**1,277,570**	**1,359,927**	**188,476**	**14.75%**	**106,119**	**7.80%**

Table 10

Indirect funding, including insurance and pension products, amounted to a total of € 1,466,046 thousand, up by 14.75% compared to the figure at the end of 2020.

The component related to administered and managed funds came to a total of € 840,048 thousand, up by 12.55% compared to 12/2020. There was an increase in net funding for 42,636 thousand in the year.

In detail, shares increased by around 9.8% in administered funds, while bonds decreased by around 18.7% and government bonds increased by 14.38%.

The managed funds sector grew significantly, recording a total balance in the year of € 550,873 thousand compared to 12/2020, equal to +14.2%. Insurance products performed very well, and alongside pension products totalled € 625,998 thousand, up by 17.84% compared to the previous year.

As a whole, the administered assets, against the aforesaid performance of direct and indirect funding, grew by 18.26%:

Description	Dec-21	Dec-20	Jun-21	Change since 12/2020		Change since 06/2021	
				Amount	%	Amount	%
Direct funding	2,158,603	1,787,385	1,912,718	371,218	20.77%	245,885	12.86%
Indirect funding	1,466,046	1,277,570	1,359,927	188,476	14.75%	106,119	7.80%
Total	**3,624,649**	**3,064,955**	**3,272,645**	**559,694**	**18.26%**	**352,004**	**10.76%**

Table 11

INCOME STATEMENT

The following table summarises the key income statement figures, using the same reclassification criteria adopted in previous years.

Tax base	12/2021	12/2020	difference	
			amount	%
Net interest income	33,225	31,161	2,064	6.62%
Net operating income	78,483	77,770	713	0.92%
Operating costs	-48,551	-47,038	-1,513	3.22%
Operating profit	29,932	30,732	-800	-2.60%
Pre-tax profit from continuing operations	23,817	8,514	15,303	179.74%
Net gain	15,023	4,631	10,392	224.40%

Table 12

The individual balances are shown below:

Net interest income

Tax base	12/2021	12/2020	difference	
			amount	%
Interest income:	***35,640***	***33,373***	***2,267***	***6.79%***
- Ordinary customers	24,685	27,370	-2,685	-9.81%
- Securities portfolio	9,739	5,510	4,229	76.75%
- Banks	1,216	493	723	146.65%
Interest expense:	***-2,415***	***-2,212***	***-203***	***9.18%***
- Ordinary customers	-1,675	-1,575	-100	6.35%
- Certificates of deposit	-561	-584	23	-0.0393836
- Banks	-179	-53	-126	237.74%
Net interest income	**33,225**	**31,161**	**2,064**	**6.62%**

Table 13

Net interest income closed the year at € 33,225 thousand compared to the € 31,161 thousand in the previous year, recording an increase of 6.62 %. Net interest income was significantly influenced by the increase in interest income in the finance sector, totalling € 9,739 thousand, up by around € 4,229 thousand (+76.7%) due to the increase in volumes and the breakdown of portfolios. Interest income from customers, for a total of € 24,685 thousand, decreased by around 9.8% due to the compression of the interest income, while interest expense from customers, for € 2,236 thousand, increased by around 3.5% mainly due to the increase in direct funding (+ 20.8 %). Interbank net interest income, for around € 1,037 thousand, grew by around 136%, positively influenced by the ECB refinancing operations (TLTRO and PELTRO).

As regards customer rates, there was a decrease in interest income from 2.42% on average in the previous year to 2.07% on average in 2021, down 35bps, also due to the decision to target customers with higher ratings. In terms of funding, interest expense decreased from 0.12% to 0.10%, down 2 bps, lower than the decrease in interest income. The margin on rates for ordinary customers therefore decreased by 33 bps, falling from 2.30% on average in 2020 to 1.97% in 2021.

The dynamic of the spread on customer rates is shown below:

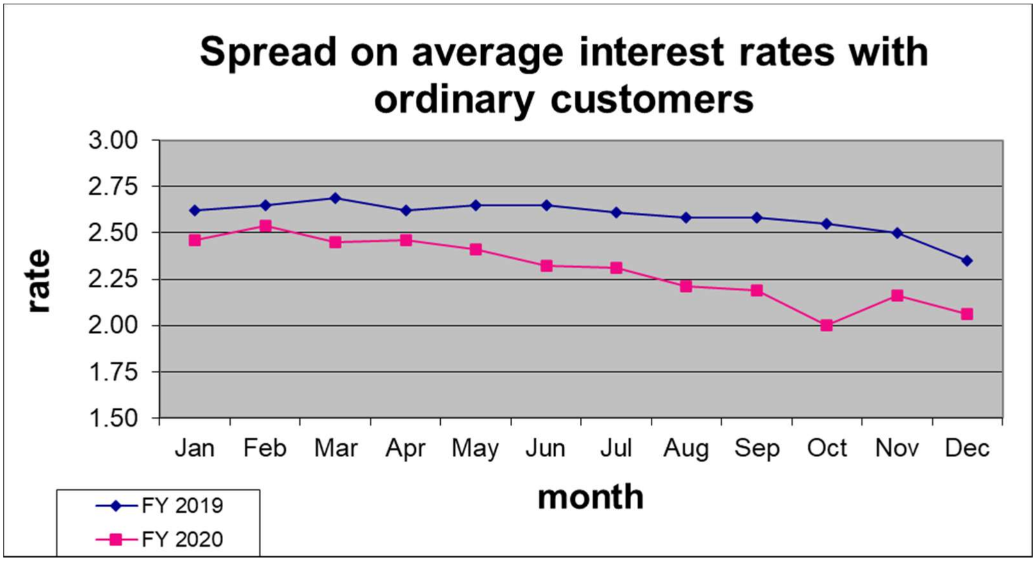

Table 14

Net operating income

Tax base	12/2021	12/2020	difference	
			amount	%
Net interest income	**33,225**	**31,161**	**2,064**	**6.62%**
Dividends	938	1,282	-344	-26.83%
Net fee and commission income	25,094	23,036	2,058	8.93%
Net trading income (expense) – HTS, HTCS and HTC portfolios	14,559	16,830	-2,271	-13.49%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-556	-216	-340	-157.41%
Other operating income	5,223	5,677	-454	-8.00%
Net operating income	**78,483**	**77,770**	**713**	**0.92%**

Table 15

The item "Net trading income (expense) – HTS, HTCS and HTC portfolios" in the previous table refers to items 80 and 100 of the profit or loss.

Net operating income amounted to € 78,483 thousand, an increase on the previous financial year by 0.92%.

Dividends collected during the year showed a decrease from € 1,282 thousand to € 938 thousand, due to the reduction in the M&G Fund investment.

Net fee and commission income totalled € 25,094 thousand, an increase on the figure at 31 December 2020 by around 8.93%. Fee and commission income for management, brokerage and consultancy services increased by around 19%, from € 8,579 thousand to € 10,206 thousand. The increase was due both to the increase in assets managed and by the different mix of products placed. In detail, the fee and commission income related to managed funds increased by 13.2%, from € 4,367 thousand to € 4,942 thousand. Fee and commission income for distribution of third party services increased by 24.97%, to € 5,264 thousand; within the category, fee and commission income from placement of insurance policies increased from € 2,409 thousand to € 2,877 thousand (+19.4%); the increase in fee and commission income for other products (monetics) was also significant, growing by around 28.6% to € 2,231 thousand at year end. Fees and commissions on current account services remained stable at € 10,023, while fees and commissions for other interbank services (transfers, Bancomat (debit card), etc.) increased by around 4.4% to € 4,304 thousand.

The net gain from HTS, HTCS and HTC financial assets (referring to the sum of profit or loss captions 80 and 100) totalled € 14,559 thousand against € 16,830 thousand in 2020. The caption also includes the net loss from the sale of the NPLs mentioned previously, equal to around € 4,477 thousand and recognised in caption 100 a of the profit or loss. In detail, the net trading income from the HTS portfolio came to € 2,135 thousand, trading income from the HTCS portfolio securities totalled € 10,626 thousand, and gains on the sale of securities classified in the HTC portfolio came to around € 6,275 thousand.

"Other operating income" decreased by € 450 thousand compared to the previous financial year, to € 5,223 thousand.

Operating profit

Tax base	12/2021	12/2020	difference	
			amount	%
Net operating income	**78,483**	**77,770**	**713**	**0.92%**
Staff costs	-25,673	-25,441	-232	-0.91%
Administrative expenses	-20,322	-18,945	-1,377	-7.27%
Amortisation and depreciation	-2,556	-2,652	96	3.62%
Operating costs	**-48,551**	**-47,038**	**-1,513**	**3.22%**
Operating profit	**29,932**	**30,732**	**-800**	**-2.60%**

Table 16

Operating profit closed at € 29,932 thousand, with a modest change compared to the previous financial year.

Personnel expense increased to € 25,673 thousand, up by 0.91% compared to the previous year. Administrative expenses increased from € 18,945 thousand to € 20,322 thousand.

Pre-tax profit from continuing operations

Tax base	12/2021	12/2020	difference	
			amount	%
Operating profit	**29,932**	**30,732**	**-800**	**-2.60%**
Net provisions for risks and charges	-173	230	-403	-175.22%
Net impairment losses on loans and receivables	-5,946	-22,448	16,502	73.51%
Pre-tax profit from continuing operations	**23,817**	**8,514**	**15,303**	**179.74%**

Table 17

The pre-tax profit from continuing operations amounted to € 23,817 thousand compared to € 8,514 thousand for the previous year.

The provisions for risks and charges showed an accrual in value for € 173 thousand which was determined analytically in accordance with the detailed examination of the estimated risks of existing legal disputes and endorsement credits.

Loans and receivables with ordinary customers were measured using the methods set out in the notes to the financial statements with the usual prudent approach and in line with the bank's internal policy, and led to impairment losses for € 5,946 thousand (recognisable as the sum of captions 130 and 140 in the profit or loss), also including the net loss from NPL sales of 4,477 thousand (expressed in caption 100 of the profit or loss). The cost of credit in 2021 was 0.83%, compared to 1.88% recorded at the end of 2020. At year end, the caption included specific impairment losses on NPLs for € 12,404 thousand, compared to impairment gains for € 7,815 thousand

Profit for the year

Tax base	12/2021	12/2020	difference	
			amount	%
Pre-tax profit from continuing operations	**23,817**	**8,514**	**15,303**	**179.74%**
Income taxes	-8,794	-3,883	-4,911	-126.47%
Net gain	**15,023**	**4,631**	**10,392**	**224.40%**

Table 18

Estimated direct taxes for the year came to € 8,794 thousand compared to € 3,883 thousand for the previous financial year. Accordingly, the profit for 2021 amounted to € 15,023 thousand.

Comprehensive income

Comprehensive income for 2021 is € 14,726 thousand, an increase compared to the result of € 9,431 thousand for 2020.
The actuarial losses of € 222 thousand recognised on post-employment benefits and the supplementary pension fund and the impairment loss of the HTCS securities portfolio reserve for € 74 thousand, net of the related taxes, mainly due to changes in the fair value differences on the HTCS portfolio securities, affected the comprehensive income.

Cash flows

The statement of cash flows has been prepared using the indirect method as allowed by IAS 7. Cash flows generated and used during the year are split between operating, investing and financing activities.
Operating activities generated cash flows of € 239,570 thousand. This includes € 12,782 thousand from operations, while financial assets and financial liabilities used and generated cash of € 484,015 thousand and € 710,803 thousand, respectively.
Investing activities used cash flows of € 425 thousand, mostly due to the purchase of property, equipment and investment property and intangible assets.
As a result, the cash generated at year end was € 238,085 thousand.

Indicators

The following table shows the main financial statements indicators compared with the previous year:

Financial statements indicators	dic-21	dic-20	1H 2021
Capitalisation ratios:			
Equity / total assets	6.23%	7.69%	7.44%
CET1 ratio	19.68%	19.53%	19.04%
Tier 1 ratio	19.68%	19.53%	19.04%
Total capital ratio	19.68%	19.53%	19.04%
Non-current assets/equity	10.74%	12.92%	11.86%
Net NPE/equity	10.05%	17.36%	16.40%
Own funds/third-party funds	8.42%	9.41%	9.10%
Risk ratios:			
Net NPE/total exposures	1.61%	2.73%	2.63%
Gross NPE/gross exposures	4.94%	7.38%	7.27%
Gross NPL/gross exposures	9.19%	13.49%	12.56%
Net NPL/net exposures	4.11%	6.04%	5.22%
Texas Ratio (net NPL/own funds)	25.91%	40.59%	35.33%
Coverage ratio for performing exposures	1.07%	1.07%	1.13%
Allowance for impairment/total exposures	6.31%	8.38%	8.34%
Profitability ratios:			
Net interest income /total income	45.35%	43.22%	35.93%
Gains from financial transactions / total income	21.15%	25.12%	37.03%
Cost of credit (including loss on NPL sales)	0.83%	1.88%	0.54%
Gross operating profit / equity	16.46%	18.27%	12.52%
Profit for the year / equity (ROE)	8.26%	2.75%	5.25%
ROA	0.51%	0.21%	0.39%
Pre-tax profit / Total assets (ROA)	0.82%	0.39%	0.65%
Tax rate	36.92%	45.60%	40.24%
Net other administrative expenses/total income	27.74%	26.28%	21.71%
Staff costs / total income	35.04%	35.29%	30.23%
Administrative expenses/total income	62.78%	61.57%	51.93%
Cost/income	59.38%	57.05%	49.91%
Fair value losses/gains on securities	58.86%	57.03%	49.75%
Administrative expenses/total assets	1.58%	2.03%	0.97%
Productivity - Distribution efficiency:			
Net loans and receivables with customers/employees	3,214	3,049	3,071
Due to customers/employees	6,115	5,092	5,418
Total income/average employees	208.125	203.079	122.277
Average employees/branches	6.175	6.228	6.263
Cost per employee	71.40	70.19	36.23
Loans and receivables with customers and due to customers/average employees	9,356	8,050	8,395
Total assets/employees	8.264	6.233	6.632
Loans and receivables with customers and due to customers/branches	57,775	50,133	52,577
Branch employees/employees	68.56%	68.38%	69.69%

Table 17

The indicators for the bank's capitalisation were very high and higher than the previous financial year. The CET1, TIER 1 and TCR increased year on year, from 19.53% to 19.68%. The value of the indicators considers the bank's use of the transitional arrangements by virtue of which the losses from the FTA of IFRS9 can be deferred over 5 financial years at increasing percentages and takes account of the dividend policy proposal. The net NPE/equity ratio shrank significantly to 10.05% from 17.36% for the previous year.

All risk ratios improved significantly; the gross NPL/gross exposures and net NPL/net exposures indicators were 9.19% and 4.11 respectively.

The "cost of credit" of 0.83 % was calculated as the ratio between the impairment losses of exposures plus the net loss from sale of NPL in the year for € 4,477 thousand and gross amounts due to customers. As regards the value of loans and receivables with customers used to calculate the indicators, the figure only refers to financing to customers, excluding the HTC securities portfolio component, which is included in the corresponding financial statement entry. The coverage rate of performing exposures continues to be very positive at 1.07%.

"*Cost/income*", calculated as the ratio between operating costs and the total income, is 59.38%. The index was negatively influenced by the loss on the sale of NPLs, recognised in caption 100 a) of the profit or loss; if this amount was recognised among the impairment losses on lending, the cost/income would be 55.96%. Net of the currency component of the securities portfolio, the indicator is 57.03%.[1]

The ROE was 8.26% compared to 2.75% in the previous financial year, while the ROA reached 0.82%.

With reference to the productivity indicators, there was an improvement in all indicators represented compared to the previous year.

Objectives of the 2021 business plan: have they been met

The final version of the 2019/2021 business plan was approved at the meeting on 24 September 2019, following the establishment of the new board of directors in May 2019. The plan was then updated in June 2020 to take into account the profound global and local changes brought on by the ongoing pandemic and consequent containment measures. Furthermore, as mentioned, the supervisory authority requested that an assessment be carried out of the effective sustainability of the bank's business model through the preparation of a plan of measures to strengthen its business model, to be implemented as part of its strategic guidelines and in the context of the overall market, which led to another review of the growth objectives for financial years 2021 and 2022, so the analysis of the deviations was carried out with the quantitative objectives defined during the self-assessment on the strategic alignment of banks with post COVIDovid-19 scenarios and structural market changes.

The qualitative objectives set by the business plan for 2021 were substantially achieved. Specifically:

- Increase in the distribution network efficiency by optimising hub branches from 8 to 4 and alternating the opening of pairs of branches.
- Development of the bank's property assets
- Development of human resources through managerial and specialised training

The quantitative objectives for 2021 compared with the actual figure are shown below:

- **Lending**, gross of impairment losses, amounted to € 1,211 million, higher by around 0.2% than the lending estimated for the end of 2021, amounting to € 1,204.6 million. In detail, performing exposures exceeded the envisaged target by around 1.9%, as did non-performing exposures, which were around 13.9% lower than the target set. Net of impairment losses, receivables with customers reached € 1,135 million, around 0.6% higher than the provisional figure.

[1] In the calculation of the "Fair value losses/gains on securities", the difference between the gains and losses on trading shown in table 4.1 of Part C in the notes to the financial statements was used as the denominator of the indicator.

GROSS EXPOSURES customers	Business Plan		Self-Assess.	Actual	Difference Self-Assess. Actual	
	2019	2020	2021	2021	Assess.	%
Performing	948,123	1,050,080	1,078,981	1,099,715	20,734	1.9%
Non-Performing	153,683	154,504	129,234	111,292	-17,942	-13.9%
Total gross lending	1,101,806	1,204,583	**1,208,215**	**1,211,007**	**2,792**	**0.2%**

NET EXPOSURES customers	Business Plan		Self-assess.	Actual	Difference Self-Assess. Actual	
	2019	2020	2021	2021	Assess.	%
Performing	940,220	1,039,789	1,067,400	1,087,975	20,575	1.9%
Non-Performing	73,298	71,813	60,003	46,596	-13,407	-22.3%
Total net lending	1,013,518	1,111,601	**1,127,403**	**1,134,571**	**7,168**	**0.6%**

Table 18

- **Direct funding** was higher than the provisional figure by around 28.4%

Direct Funding	Business Plan		Self-assess.	Actual	Difference Self-Assess. Actual	
	2019	2020	2021	2021	Assess.	%
Total direct funding	1,530,274	1,434,208	**1,680,779**	**2,158,603**	**477,824**	**28.4%**

Table 19

- **Indirect funding** reached € 1,466 million, a total of around 8.8% higher than the provisional figure. The growth in managed funds and insurance policies was significant, exceeding the target by 5.8% and 8.1% respectively.

Indirect Funding and Insurance	Business Plan		Self-assess.	Actual	Difference Self-Assess. Actual	
	2019	2020	2021	2021	Assess.	%
Government and Fixed Income Securities	175,669	144,132	149,441	181,628	32,187	21.5%
Equities	92,098	76,554	97,947	107,547	9,600	9.8%
Managed Assets	493,380	443,531	520,792	550,873	30,081	5.8%
Insurance Assets	490,549	507,873	579,028	625,998	46,970	8.1%
Total Indirect Funding	1,251,696	1,172,090	**1,347,208**	**1,466,046**	**118,838**	**8.8%**

Table 20

- **Profit for the year** came to € 15,023 thousand, significantly surpassing the objective set by the plan for 2021. Specifically
  1. **Net interest income** exceeded the objectives set in the business plan by around € 4,120 thousand, or 14.2%;
  2. **Net fee and commission income**, totalling € 23 million, was around € 1 million higher than the objective set out by the plan (+4.5%).
  3. **Trading income** totalled € 14 million, and includes € 4,477 thousand related to the loss on the sale of NPL and is significantly higher than the objective set by the business plan.
  4. Total **administrative expenses** closed the year at € 45,995 thousand, around 2.6% higher than the provisional figure. In particular, personnel expense was substantially in line with the objective set (+0.4%), while other administrative expenses exceeded the objective by around 5.6%.
  5. **Net impairment losses on loans and receivables,** added to the loss on the sale of NPL for € 4,477 thousand, were around 11% lower than the figure provided by the self-assessment.

Profit or loss	Business Plan		Self-assess.	Actual	Difference Self-Assess.	
	2019	2020	2021	2021	Assess.	%
Net interest income	30,345	30,032	29,105	33,225	4,120	14.2%
Net fee and commission income	24,078	22,761	24,018	25,094	1,076	4.5%
Dividends	1,967	1,295	200	938	738	369.6%
Net trading income (expense)	19,044	1,423	9,500	14,003	4,503	47.4%
Total income	75,434	55,511	63,941	73,260	9,319	14.6%
Staff costs	-26,588	-26,517	-25,566	-25,673	-107	0.4%
Other administrative expenses	-19,532	-19,257	-19,243	-20,322	-1,079	5.6%
Amortisation	-2,817	-2,939	-2,442	-2,556	-114	4.7%
Other operating income, net	4,337	4,640	5,022	5,223	201	4.0%
Operating profit	30,834	11,438	21,712	29,932	8,220	37.9%
Impairment/losses (gains) on loans and receivables	-20,396	-6,227	-11,709	-5,946	5,763	-49.2%
Net provisions for risks and charges	-793	-1,000	-252	-173	79	-31.3%
Pre-tax profit from continuing operations	9,645	4,211	9,751	23,817	14,066	144.2%
Income taxes	-3,648	-1,992	-3,510	-8,794	-5,284	150.5%
Profit for the year	**5,997**	**2,219**	**6,241**	**15,023**	**8,782**	**140.7%**

Table 21

- Overall, all financial statements indicators were in line with or better than the objectives set during planning for 2021.

Financial Statements Indicators	Self-assess. 2021	Actual 2021
Capital adequacy		
CET1R	19.39%	19.68%
T1R	19.39%	19.68%
TCR	19.39%	19.68%
Profitability Ratios:		
Cost-to-income Ratio	66.44%	59.38%
Pre-tax profit/Total assets (ROA)	0.45%	0.82%
Profit for the year/Equity (ROE)	3.57%	8.26%
Credit risk		
Gross NPLR	10.70%	9.19%
Net NPLR	5.32%	4.11%
Gross NPE/gross lending	5.49%	4.94%
Net NPE/net lending	2.09%	1.61%
Texas ratio	33.80%	25.91%
Coverage ratio		
- NPL	53.57%	58.13%
- Unlikely-to-pay exposures	42.60%	45.44%
- bad exposures	64.4%	69.45%
- performing	1.1%	1.07%

Table 22

Bank of Italy/CONSOB/ISVAP (the Italian Insurance Companies Supervisory Authority) document no. 2 of 6 February 2009

The directors state that they have assessed the bank's profitability and liquidity for a period of not less than 12 months from the reporting date based on the 2022 budget and all other available information.

With respect to the bank's liquidity, the board of directors confirms the following management guidelines:

1. ongoing alignment and monitoring of interbank credit facilities;
2. maintenance of a lending/funding ratio always below the 90% threshold identified by the board of directors as prudential.

With respect to the bank's profitability, the board of directors believes that, despite this difficult economic period, the bank has appropriate profitability margins for the near and far future notwithstanding increasing volatility in its results due to changed economic conditions and application of IFRS 9, which could lead to greater volatility in its results given the requirement to apply fair value measurement to an increasingly wider range of assets.

It is sufficient to consider the following:

a. the bank has never made a loss despite other unfavourable economic periods;
b. it has a large market share and its local ground roots have actually been strengthened by its strong reputation and efficiency characteristics that it has built up over the years;
c. Its high capitalisation and prudent approach are a solid basis for dealing with any future risks;
d. The 2019-2021 business plan includes a wide-ranging programme of actions designed to improve the bank's efficiency by extending its synergies with the non-controlling investor Intesa Sanpaolo;
e. The 2022 budget provides for an increase in the net interest income and net fee and commission income, a slight decrease in spending, a repositioning of the funding and an increase in lending.

It can, therefore, clearly be seen that the going concern assumption is fully met without having to provide any more details.

Bank of Italy's recommendation on the distribution of dividends and bank variable remuneration policies

During 2020, the Bank of Italy issued three recommendations addressed to less significant banks, to request the adoption of restrictive policies on the distribution of dividends and variable remuneration. The objectives were to strengthen the capital of banks through self-financing and to place the financial system under the best conditions to absorb the losses that would arise from the health emergency associated with the pandemic, while continuing to support the economy. Intermediaries were therefore invited not to pay dividends and to refrain from the repurchase of treasury shares; reference was made to the need to adopt a prudent and forward-looking approach, including in the policies on variable remuneration.

On 17 July 2021, the Bank of Italy announced that it was returning to the assessment criteria of capital and dividend distribution plans and repurchase of shares by banks as part of the ordinary SREP. The less significant banks would nevertheless need to maintain a prudent approach when deciding on the distribution and share repurchase policies, carefully considering the sustainability of their business model. The Bank of Italy also warned against underestimating the risk that, upon expiry of the support measures introduced in response to the COVID-19 pandemic, further losses might impact capital trajectories.

When conducting its evaluations, the Bank of Italy shall adopt a prospective approach, also taking into consideration the adequacy of banks' provisioning accruals against credit risk that could impact the capacity for capital growth. These elements will be discussed with the intermediaries during regular supervisory dialogue. The Bank of Italy also recommended that the less significant banks also continue to adopt a prudent and forward-looking approach to remuneration policies. These will be assessed as part of the SREP and account will be taken of the impact that these policies might have on the ability to maintain a solid capital base.

In line with this latest recommendation, the board of directors of 8 February 2022 agreed on the hypothesis of a dividend payment of € 6,078 million, corresponding to 40.46% of the profit in 2021.

The bank's remuneration policy for its key management personnel hinges on maximum prudence, limiting the variable part indexed to financial statements data to just the mechanisms provided for by labour agreements while another part, agreed annually by the board of directors, is based on quantitative/qualitative assessments of the work performed by the management team.

Outlook

In late 2021, signs emerged of a return to economic recovery, though the fresh wave of the pandemic and the persistent bottlenecks in the supply of commodities and energy posed a downward risk to growth. Inflation grew nearly everywhere, especially affected by the price increases in energy and intermediate inputs and the recovery in internal demand. The new economic forecasts by the European Commission issued in the first week of February indicated that economic recovery in the EU would slow down more than expected. Growth was slowed by the COVID-19 pandemic, high energy prices, which drove inflation, and procurement problems. The result is that, following the record expansion of 5.3% recorded in 2021, the European economy would grow by 4% in 2022 and shrink to 2.7% in 2023. The estimates for Italy predict 4.1% growth for 2022 and 2.3% for 2023. These forecasts do not take account of the economic and financial consequences of the conflict that started on 24 February 2022 with Russia's invasion of Ukraine. The package of economic sanctions that all western countries issued against Russia will have asymmetrical consequences in the various countries and certainly Italy will suffer significant impacts since the Russian market represents an important end market for various industrial areas, as well as one of the main sources of gas supply and other essential commodities for our industry. Furthermore, regardless of the duration of the conflict, the sanctions will remain in place for a period that cannot currently be hypothesised with potential risk of retaliation from Russia and consequent implications on geopolitical, economic, commercial and financial developments at global level. The sectors most closely linked to export to Russia such as mechanical manufacturing, foodstuffs, clothing and furniture will lose out on a significant market share following the sanctions imposed by the west and any countermeasures by Russia. Even the services sector will be affected by the sanctions, with repercussions on tourism and hospitality facilities.
The restrictions are related to actions that compromise or threaten the territorial integrity, sovereignty and independence of Ukraine, such as measures to freeze funds and economic resources of designated individuals. In particular, Council Regulation (EU) 2022/328 of 25 February 2022 extended the scope of application of Regulation 833/2014 and sets out the following prohibitions on selling, supplying, transferring or exporting, directly or indirectly:

- dual-use goods;
- goods and technology which might contribute to Russia's military and technological enhancement, or the development of the defence and security sector (electronic equipment, calculators, information security technology; sensors and lasers; aviation and maritime equipment; aerospatial and propulsion equipment);
- provision of public financing or financial assistance for trade with, or investment in, Russia with the exception of binding financing or financial assistance commitments established prior to 26 February 2022;
- goods and technology suited for use in oil refining;
- goods and technology suited for use in aviation or the space industry;
- the direct or indirect purchase, sale, provision of investment services for or assistance in the issuance of, or other deal with transferable securities and money-market instruments issued after 12 April 2022 by: a) any major credit institution, or other institution with over 50 % public ownership or control as of 26 February 2022 or any other credit institution having a significant role in supporting the activities of Russia, its government or the Central Bank and established in Russia;
- directly or indirectly make or be part of any arrangement to make: i) new loans or credit with a maturity exceeding 30 days to any legal person, entity or body referred to in paragraph 1 or 3, after 12 September 2014 to 26 February 2022; or ii) any new

loans or credit to any legal person, entity or body referred to in paragraph 1, 2, 3 or 4 after 26 February 2022 (article 5, Reg. 2022/328);
- accept any deposits from Russian nationals or natural persons residing in Russia, or legal persons, entities or bodies established in Russia, if the total value of deposits of the natural or legal person, entity or body per credit institution exceeds € 100,000;
- sell euro denominated transferable securities issued after 12 April 2022 or units in collective investment undertakings providing exposure to such securities, to any Russian national or natural person residing in Russia or any legal person, entity or body established in Russia with the exception of nationals of a Member State or natural persons having a temporary or permanent residence permit in a Member State.

The bank is aware that the impact of the pandemic is not yet behind us and that the current geopolitical instabilities related to the crisis between Russia and Ukraine will lead to negative effects for the entire economy and therefore it intends to continue reducing its risk profiles, keeping capitalisation high and assisting companies and households towards a return to normality while keeping the service in the territory sustainable by developing ESG topics, increasing the productivity and efficiency of the network and management through digitalisation, monitoring credit risk.

The policy on prudent evaluation of non-performing exposures was strengthened, as was the credit monitoring activity, in order to anticipate critical issues arising from the end of the moratoria, also determining a significant improvement in the overall coverage rate from 55.25% to 58.13%. This trend will also be maintained in the future, using the forecasts of the NPL plan as a reference.

The commercial strategy will be focused on a growth in lending and managed funds through the expansion of the catalogue of new products and services offered for individuals and companies, the development of monetics and the activation and reinforcement of new digital channels for customer contact through the online opening of accounts.

The diversification of the portfolio implemented mainly through management mandates that operate in different instruments other than Italian government bonds, moves towards risk splitting in relation to the securities portfolio and will be reinforced, in line with the assessment of the market opportunities, perceived from time to time, as well as with the maintenance of the bank's capital equilibrium.

In terms of operating costs, in the last three-year period the bank implemented an efficiency improvement strategy which allowed for significant cuts in personnel costs and other administrative expenses. The increase in operating efficiency with a focus on cost containment will continue to be a strategic element for the bank.

Thanks to its ground roots and continuous focus on the demands of its local area, the bank intends to defend its market position and, where possible, increase it, thus helping to support its profitability ratio, which will be reiterated in the 2022-2024 business plan currently being prepared.

In addition to the improved efficiency of traditional activities, the bank is developing new projects in collaboration with the IT outsourcer for more digital services by opening online accounts for new customers and activating the "web collaboration" platform to optimise consulting on financial products.

Thanks to its ground roots and continuous focus on the demands of its local area, the bank intends to defend its market position and, where possible, increase it, thus helping to support its profitability ratios.

Conclusions

To wind up this report, I would like once again to firstly thank all our customers who continue to choose Cassa di Risparmio di Fermo S.p.A. as their bank in what definitely has not been an easy year, and who are confident that the bank has been able to repay such a choice with its top quality services.

The bank's activities are those set out by the Fondazione Cassa di Risparmio di Fermo which are its reference point and guiding light. The expert assistance of the shareholder Intesa Sanpaolo provided continuously to our staff improving their approach and professional standing contributes great added value.

We thank the general manager, the executive committee and the board of directors for their expert assistance and guidance provided to the bank in this period of significant legislative discontinuities and a difficult economic situation.

The precious assistance provided by the entire board of statutory auditors is also worthy of mention.

We would also like to especially thank all the bank's employees for their profound commitment to embrace change professionally and with a sense of belonging in an extraordinarily complex year.

Finally, we would like to express our gratitude to the supervisory authorities and, especially, the Bologna branch manager, Maurizio Rocca, and the Ancona branch manager, Gabriele Magrini Alunno, for their availability as well as all the personnel at those two branches for their assistance.

for the board of directors
The Chair

Fermo, 29 March 2022

BALANCE SHEET: ASSETS

	Assets	12/2021	12/2020
10.	Cash and cash equivalents	356,216,900	118,131,708
20.	Financial assets at fair value through profit or loss	116,259,859	139,108,544
	a) financial assets held for trading;	*112,765,194*	*139,108,544*
	c) other financial assets mandatorily measured at fair value	*3,494,665*	*-*
30.	Financial assets at fair value through other comprehensive income	929,812,082	499,684,320
40.	Financial assets at amortised cost	1,443,565,645	1,360,201,431
	a) loans to banks	*20,196,407*	*16,512,147*
	b) loans to customers	*1,423,369,238*	*1,343,689,284*
80.	Property, plant and equipment	19,398,213	21,628,758
90.	Intangible assets	131,423	106,562
100.	Tax assets	17,264,009	17,310,142
	a) current	*2,848,695*	*1,608,325*
	b) deferred	*14,415,314*	*15,701,817*
120	Other assets	34,496,102	28,901,728
	Total assets	**2,917,144,233**	**2,185,073,193**

The comparable balance sheets at 31/12/2020 have been restated according to criteria standardised to the forecasts of the 7th update of Bank of Italy Circular 262/2005; specifically, activities with cash equivalents pursuant to IAS 7 were reclassified from caption 40. b) to caption 10.

BALANCE SHEET: LIABILITIES

	Liabilities and equity	12/2021	12/2020
10.	Financial liabilities at amortised cost	2,649,086,240	1,973,930,171
	a) due to banks	*490,483,398*	*186,544,863*
	b) due to customers	*2,100,669,049*	*1,716,958,450*
	c) debt securities issued	*57,933,793*	*70,426,858*
20.	Financial liabilities held for trading	80,030	161,893
60.	Tax liabilities	10,593,399	*2,478,254*
	a) current	*7,349,943*	*- 225,504*
	b) deferred	*3,243,456*	*2,703,758*
80.	Other liabilities	59,485,427	23,499,493
90.	Employee termination indemnities	5,909,685	6,494,720
100.	*Provisions for risks and charges:*	*10,154,610*	*10,336,407*
	a) commitments and guarantees granted	*110,646*	*113,431*
	b) pension and similar obligations	*7,016,677*	*7,371,653*
	c) other provisions for risks and charges	*3,027,287*	*2,851,323*
110.	Valuation reserves	15,519,908	15,816,835
140.	Reserves	77,390,615	73,822,272
150.	Share premium reserves	34,660,068	34,660,068
160.	Share capital	39,241,087	39,241,087
180.	Profit for the year	15,023,164	4,631,993
	Total liabilities and shareholder's equity	**2,917,144,233**	**2,185,073,193**

INCOME STATEMENT

Tax base		12/2021	12/2020
10.	Interest and similar income	35,639,975	33,373,876
	including: interest calculated using the effective interest method	*34,004,310*	*31,634,550*
20.	Interest and similar expense	- 2,414,978	- 2,212,520
30.	**Net interest income**	**33,224,997**	**31,161,356**
40.	Commission income	27,080,149	24,864,272
50.	Commission expense	- 1,986,422	- 1,828,548
60.	**Net commission income**	**25,093,727**	**23,035,724**
70.	Dividends and similar income	938,143	1,282,117
80.	Net income from trading activities	2,134,842	1,342,890
100.	Gains(Losses) on disposal or repurchase of:	12,424,009	15,486,768
	a) financial assets at amortised cost	*1,798,433*	*5,268,093*
	b) financial assets at fair value through other comprehensive income	*10,625,576*	*10,218,675*
	c) financial liabilities	-	-
110.	*Net income from financial assets and liabilities measured at fair value through profit or loss*	- 555,850	- 215,868
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	*- 555,850*	*- 215,868*
120.	**Net interest and other banking income**	**73,259,868**	**72,092,987**
130.	Net impairment losses for credit risk associated with:	- 5,721,857	- 22,041,481
	a) financial assets at amortised cost	*- 5,567,745*	*- 21,913,796*
	b) financial assets at fair value through other comprehensive income	*- 154,112*	*- 127,685*
140.	*Gains(Losses) from contractual modifications without derecognition*	*- 224,114*	*- 406,809*
150.	**Net income from financial activities**	**67,313,897**	**49,644,697**
160.	Administrative expenses:	- 45,994,919	- 44,385,779
	a) Staff costs	*- 25,673,024*	*- 25,440,666*
	b) other administrative expenses	*- 20,321,895*	*- 18,945,113*
170.	Net provisions for risks and charges	- 173,179	230,254
	a) commitments and guarantees granted	*2,785*	*428,754*
	b) Other net provisions	*- 175,964*	*- 198,500*
180.	Net adjustments to property, plant and equipment	- 2,486,139	- 2,599,528
190.	Net adjustments to intangible ssests	- 69,980	- 52,284
200.	Other operating income, net	5,223,384	5,677,197
210.	**Operating costs**	**- 43,500,833**	**- 41,130,140**
250.	Gains(Losses) on disposal investments	3,993	337
260.	**Profit (Loss) from current operations before tax**	**23,817,057**	**8,514,894**
270.	Income taxes	- 8,793,893	- 3,882,901
280.	**Profit (Loss) from current operations after tax**	**15,023,164**	**4,631,993**
300.	**Profit for the year**	**15,023,164**	**4,631,993**

STATEMENT OF COMPREHENSIVE INCOME

	Tax base	12/2021	12/2020
10.	**Profit for the year**	**15,023,164**	**4,631,993**
	Items, net of tax, that will not be reclassified to profit or loss:		
20.	Equity instruments at fair value through other comprehensive income	- 14,465	- 12,819
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	- 222,403	217,490
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
	Items, net of tax, that will be reclassified to profit or loss:		
100.	Hedges of investments in foreign operations	-	-
110.	Exchange gains (losses)	-	-
120.	Cash flow hedges	-	-
130	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	- 60,059	4,594,190
150.	Non-current assets held for sale and disposal groups	-	-
160.	Share of valuation reserves of equity-accounted investees	-	-
170.	**Other comprehensive expense, net of tax**	**- 296,927**	**4,798,861**
180.	**Comprehensive income (expense) (captions 10 + 170)**	**14,726,237**	**9,430,854**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31/12/2021

	Balance at 31/12/2020	Change to opening balances	Balance at 01/01/2021	Allocation of prior year profit		Changes for the year								Equity at 31/12/2021
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for the year at 31/12/2021	
Share capital:	**39,241,087**	**-**	**39,241,087**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,241,087**
a) ordinary shares	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	**34,660,068**	**-**	**34,660,068**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,660,068**
Reserves:	**73,822,272**	**-**	**73,822,272**	**3,568,343**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**77,390,615**
a) income-related	80,957,729	-	80,957,729	3,568,343	-	-	-	-	-	-	-	-	-	84,526,072
b) other	- 7,135,457	-	- 7,135,457	-	-	-	-	-	-	-	-	-	-	- 7,135,457
Valuation reserves:	**15,816,835**	**-**	**15,816,835**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**- 296,927**	**15,519,908**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**4,631,993**	**-**	**4,631,993**	**- 3,568,343**	**- 1,063,650**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,023,164**	**15,023,164**
Equity	**168,172,255**	**-**	**168,172,255**	**-**	**- 1,063,650**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,726,237**	**181,834,842**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 December 2020

	Balance at 31/12/2019	Change to opening balances	Balance at 01/01/2019	Allocation of prior year profit		Changes for the year								Equity at 31/12/2020
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	Comprehensive income for the year at 31/12/2020	
Share capital:	**39,241,087**	**-**	**39,241,087**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,241,087**
a) ordinary shares	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	**34,660,068**	**-**	**34,660,068**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,660,068**
Reserves:	**67,825,540**	**-**	**67,825,540**	**5,996,732**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73,822,272**
a) income-related	74,960,997	-	74,960,997	5,996,732	-	-	-	-	-	-	-	-	-	80,957,729
b) other	- 7,135,457	-	- 7,135,457	-	-	-	-	-	-	-	-	-	-	- 7,135,457
Valuation reserves:	**11,017,974**	**-**	**11,017,974**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,798,861**	**15,816,835**
a) available for sale	- 1,161,847	-	- 1,161,847	-	-	-	-	-	-	-	-	-	4,594,190	3,432,343
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) reserves for monetary revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d) other	- 2,941,947	-	- 2,941,947	-	-	-	-	-	-	-	-	-	204,671	- 2,737,276
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**5,996,732**	**-**	**5,996,732**	**- 5,996,732**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,631,993**	**4,631,993**
Equity	**158,741,401**	**-**	**158,741,401**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,430,854**	**168,172,255**

STATEMENT OF CASH FLOWS: indirect method

A. OPERATING ACTIVITIES	Amount	
	12/2021	12/2020
1. Operations	**12,782,283**	**13,939,479**
- profit for the year	15,023,164	4,631,993
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income (-/+)	94,692	818,903
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses (gains) for credit risk (+/-)	4,362,681	20,764,841
- Net adjustments to property, plant and equipment and to intangible assets (+/-)	2,721,622	2,894,067
- Net provisions for risks and charges and other costs/revenue (+/-)	-2,019,967	4,050,185
- unpaid taxes and duties (+/-)	8,793,893	3,882,901
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups, net of tax (+/-)	-	-
- other adjustments (+/-)	-16,193,802	-23,103,411
2. Cash flows generated by/used for financial assets	**-484,015,485**	**-351,157,440**
- financial assets held for trading	28,151,556	34,873,135
- financial assets designated at fair value	-	-
- other assets mandatorily measured at fair value	-5,079,132	-
- financial assets at fair value through other comprehensive income	-420,417,959	-279,108,223
- financial assets at amortised cost	-78,017,218	-109,133,807
- other assets	-8,652,732	2,211,455
3. Cash flows generated by financial liabilities	**710,802,798**	**385,008,458**
- financial liabilities at amortised cost	676,258,045	415,737,090
- financial liabilities held for trading	-81,863	10,722
- financial liabilities designated at fair value	-	-
- other liabilities	34,626,616	-30,739,354
Net cash flows generated by/used in operating activities	**239,569,596**	**47,790,497**
B. INVESTING ACTIVITIES		
1. Cash generated by	**4,638**	**548**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of property, plant and equipment	4,638	548
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**-425,392**	**-945,411**
- equity investments	-	-
- Property, plant and equipment	-85,331	-868,758
- intangible assets	-340,061	-76,653
- business units	-	-
Net cash flows used in investing activities	**-420,754**	**-944,863**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividend and other distributions	-1,063,650	-
Net cash flows used in financing activities	**-1,063,650**	**-**
NET CASH FLOWS FOR THE YEAR	**238,085,192**	**46,845,634**

Key: (+) generated; (-) used

Reconciliation:

FINANCIAL STATEMENT ITEMS	Amount	
	12/2021	12/2020
Opening cash and cash equivalents	118,131,708	62,820,183
Net cash flows for the year	238,085,192	46,845,634
Cash and cash equivalents: exchange gains (losses)	-	-
Closing cash and cash equivalents	356,216,900	109,665,817

NOTES TO THE FINANCIAL STATEMENTS

PART A
Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance with the IFRS

The financial statements of Cassa di Risparmio di Fermo S.p.A. as at 31 December 2021 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with EC regulation 1606 of 19 July 2002 and applied in Italy with article 1 of Legislative decree no. 38 of 28 February 2005. The instructions issued by Bank of Italy in its Circular no. 262 of 22 December 2005 - 7th update have also been considered. This update, in force for financial statements ended at 31 December 2021, makes no changes to the financial statement layouts, but aligns their content and related information in the notes to the financial statements with the harmonised consolidated supervisory reporting at European level (FINREP).

In particular, with reference to the alignment of the content of the financial statement layouts, "Cash and cash equivalents" contains all "on demand" exposures, in current accounts and deposits, with banks and central banks (with the exception of the minimum reserve), previously reclassified in "Financial assets at amortised cost". Therefore, this caption only includes loans and receivables with banks and central banks other than those payable on demand.

To allow for data comparability, on the basis of the changes made, the figures at 31 December 2020 were also reclassified, both with reference to the financial statement layouts and the related tables in the notes to the financial statements.

The bank also referred to the Framework for application of the IFRS.

The drafting policies to classify, recognise, measure and derecognise financial assets and liabilities and to recognise revenue and costs are consistent with the seventh update of Circular 262/2005 issued by the Bank of Italy.

When preparing the financial statements, the board of directors made reference to and considered the applicability of the following sources, set out below in decreasing order of importance:

- the guidance and instructions set out in the standards and interpretations for similar or related cases;
- the definitions and recognition and measurement requirements for assets, liabilities, revenue and costs provided in the Framework.

The board of directors may also refer to the most recently issued measures of other accounting standard setters that use a framework similar to that of the IFRS to develop such standards, other accounting reference documentation and consolidated practices.

IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2021

The following IFRS accounting standards, amendments and interpretations were applied by the bank for the first time as of 1 January 2021:

- On 31 March 2021 the IASB published an amendment entitled "***COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)***" which extended by one year the period of application of the amendment issued in 2020, which offered lessees the option to account for rent concessions associated with COVID-19 without having to assess, through analysis of the contracts, whether the IFRS 16 definition of lease modification was respected. Therefore, lessees who applied this option in 2020 recognised the effects of the reductions in lease fees to profit or loss directly at the effective date of the decrease. The 2021 amendment, only available for the entities that had already adopted the 2020 amendment, applies from 1 April 2021 and early adoption is permitted. The adoption of these amendments had no effect on the bank's financial statements.

- On 25 June 2020 the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The changes make it possible to extend the temporary exemption from applying IFRS 9 until 1 January 2023 for insurance companies. The adoption of this amendment had no effect on the bank's financial statements.

- On 27 August 2020, in light of the reform on interbank interest rates such as the IBOR, the IASB published the document "**Interest Rate Benchmark Reform—Phase 2**" which contains amendments to the following standards:

  - IFRS 9 *Financial Instruments*;
  - IAS 39 *Financial Instruments: Recognition and Measurement*;
  - IFRS 7 *Financial Instruments: Disclosures*;
  - IFRS 4 *Insurance Contracts*; and
  - IFRS 16 *Leases*.

  All changes came into force on 1 January 2021. The adoption of these amendments had no effect on the bank's financial statements.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT YET ADOPTED BY THE BANK AT 31 DECEMBER 2021

- On 14 May 2020 the IASB published the following amendments:
  - ***Amendments to IFRS 3 Business Combinations***: the changes aim to update the reference present in IFRS 3 to the conceptual framework in the revised version, without making any changes to the provisions of the standard.
  - ***Amendments to IAS 16 Property, Plant and Equipment***: the changes aim to prohibit deducting from the cost of property, equipment and investment property the amount received from the sale of goods produced in the test phase of that asset. These revenues from sale and related costs will therefore be recognised in the profit or loss.
  - ***Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets***: the amendment explains that in the estimate of any onerous nature of a contract, all costs directly attributable to the contract should be considered. As a result, the assessment of any onerous nature of a contract not only includes the incremental costs (such as the cost of direct material used in processing), but also all the costs that the company cannot avoid since it stipulated the contract (such as the quota of the depreciation of the machinery used to fulfil the contract).
  - ***Annual Improvements 2018-2020***: changes were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

  All changes will come into force on 1 January 2022. The directors do not expect a significant effect on the bank's financial statements.
- On 18 May 2017, the IASB published **IFRS 17 – Insurance Contracts**, which is intended to replace IFRS 4 – Insurance Contracts.
  The objective of the new standard is to guarantee that an entity provides relevant information that offers a faithful representation of the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including the reinsurance contracts held by an insurer.
  The new standard also envisages the presentation and disclosure requirements to improve comparability between the sector's entities.
  The new standard measures an insurance contract on the basis of a general model or a simplified version of it, entitled the "premium allocation approach" (PAA).
  The main characteristics of the general model include:
  - the estimates and assumptions of future cash flows are always current;
  - the measurement reflects the time value of money;

- the estimates envisage an extensive use of observable market information;
- a current and explicit risk assessment exists;
- the expected profit is deferred and aggregated into groups of insurance contracts during initial recognition; and
- the expected profit is reported in the contract coverage period taking account of the adjustments deriving from differences in the cash flow assumptions for each group of contracts.

The PAA envisages the measurement of liabilities for the residual coverage of a group of insurance contracts provided that, during initial recognition, the entity ensures that these liabilities reasonably represent an approximation of the general model. The contracts with a coverage period of one year or less are automatically suitable for the PAA. The simplifications deriving from application of the PAA do not apply to the valuation of the liabilities for existing claims, which are measured with the general model. Nevertheless, it is not necessary to discount those cash flows if it is expected that the balance is to be paid or collected within one year from the date of the claim.

The entity must apply the new standard to insurance contracts issued, including reinsurance contracts, to reinsurance contracts held and to investment contracts with a discretionary participation feature (DPF).
The standard applies from 1 January 2023 but early application is permitted only for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The directors do not expect a significant effect on the bank's financial statements from applying this standard.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

At the reporting date, the EU competent bodies have not yet concluded the approval process required for the adoption of the amendments and standards described below.

- On 23 January 2020 the IASB published an amendment entitled "***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current***". The aim of the document is to explain how to classify debts and other short- or long-term liabilities. The changes will enter into force on 1 January 2023; however, early application is permitted. The directors do not expect a significant effect on the bank's financial statements.

- On 12 February 2021 the IASB published two amendments entitled "***Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2***" and "***Definition of Accounting Estimates—Amendments to IAS 8***". The changes were aimed at improving the disclosure of accounting policies so as to provide more useful information to investors and other primary users of the financial statements and to help companies to distinguish between changes in accounting estimates and changes in accounting policies. The changes will apply from 1 January 2023, but early application is permitted. The directors do not expect a significant effect on the bank's financial statements.

- On 7 May 2021 the IASB published an amendment entitled "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies how deferred taxes on a number of operations that might generate assets and liabilities of the same amount must be recognised, such as leases and decommissioning obligations. The changes will apply from 1 January 2023, but early application is permitted. The directors do not expect a significant effect on the bank's financial statements.

- On 9 December 2021 the IASB published an amendment entitled "***Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative***

Information". The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The changes will apply from 1 January 2023, alongside application of IFRS 17. [***for insurance companies***] – The directors do not expect that the application of this amendment will have a significant impact on the bank's financial statements.

- On 30 January 2014, the IASB published ***IFRS 14 – Regulatory Deferral Accounts***, which permits a first-time adopter of the IFRS to continue to recognise the amounts related to the rate regulation activities according to the previously adopted accounting standards. As the bank is not a first-time adopter, this standard is not applicable.

Section 2 – Basis of presentation

The financial statements at 31/12/2021 are clearly stated and give a true and fair view of the bank's financial position, financial performance and cash flows.

The basis of presentation for the budgetary accounts is shown below:

- The general guidelines for presentation of the financial statements are: the assumption of going concern;
- the accruals basis of accounting: costs and revenue are recognised on an accruals basis;
- materiality and aggregation: each material class of similar items is presented separately in the statement of financial position and the income statement. Items of a dissimilar nature or function are presented separately unless they are immaterial;
- if an element of the assets or liabilities falls under several entries of the statement of financial position, its reference to the entries other than the entry in which it is recognised is annotated in the notes where necessary for comprehension of the financial statements;
- offsetting: assets and liabilities, income and expenses are not offset, unless expressly required or permitted by a standard or an interpretation or the above-mentioned Bank of Italy Circular no. 262 of 22 December 2005 and subsequent amendments;
- the budgetary accounts are prepared according to substance over form;
- comparative information: comparative information in respect of the previous year is disclosed for all amounts reported in the current year's financial statements.

Pursuant to article 5 of Legislative decree no. 38 of 28 February 2005, the financial statements have been prepared using the euro as the reporting currency. In particular, they were prepared in euros.

Section 3 – Events after the reporting date.

No significant events pursuant to the international accounting standards of reference occurred after the reporting date. Nevertheless, the following events require disclosure only:

- Decree Law no. 17 of 01/03/2022 (Energy Decree) was issued, published in O.J. no. 50 of 01/03/2022), art. 42 of which once again provides for a delay in the recovery process of impairment on pre-2015 lending not deducted by banks, other financial bodies and insurance companies. In particular, the IRES and IRAP deduction of the 12% quota envisaged, for 2021, by paragraphs 4 and 9 respectively of art. 16 of Decree Law no. 83/2015, is postponed until the 2022-2025 four-year period, into four annual quotas of 3% each. The legislation has no impacts on profit or loss, merely reclassification to the current taxes and deferred taxes, for approximately € 1.4 million;

- as indicated in the directors' report, on 24/02/2022 the geopolitical tensions between Russia and Ukraine culminated in military conflict, generating a shock that was added to a context still facing numerous issues linked to the pandemic. To date, the bank has no exposure to Russian nationals nor to individuals subject to sanctions. The first consequence of the impact of the economic embargo against Russia was the increase in the cost of energy and issues in the procurement of some commodities; at present, the indirect impact of the conflict on the bank's financial position and performance cannot be quantified.

Section 4 - Other aspects

Use of estimates and assumptions to prepare the financial statements.

The preparation of the financial statements requires recourse to estimates and assumptions, which may have an effect on the values recognised in the statement of financial position, the income statement and the reporting related to potential assets and liabilities. The preparation of these estimates involves the use of available information and the adoption of subjective valuations, also based on historical experience, used for the purposes of formulating reasonable assumptions for reporting management-related issues. By nature, the estimates and assumptions used may vary from period to period and, therefore, the current values recorded in the financial statements may differ in subsequent periods, even significantly, following changes in the subjective valuations used.
The main cases for which the use of subjective valuations by company management is required include:

- the quantification of losses due to impairment of exposures and, in general, of financial assets not at fair value;
- the calculation of the fair value using measurement models for financial instruments not listed on an active market (including for the sole purposes of disclosures in the notes);
- the quantification of the provisions for personnel and provisions for risks and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

With particular reference to the carrying amount of the accounting entries at fair value and the Loans to customers, both performing and non-performing, the estimates and related assumptions used for the purpose of preparing the financial reports could be subject to change as a result of new information that becomes available, and related degree of reliability, regarding the impacts deriving from the spread of COVID-19.
The description of the accounting policies applied to the main financial statement items provides the details necessary to identify the main assumptions and valuations used in the preparation of these financial statements.
Management performs analyses, which are sometimes complex, of Loans to customers for their classification and to identify exposures that show possible impairment after disbursement based on internal information based on the borrower's repayment trend and external information based on the reference sector and the borrower's total exposure to banks.
Measuring Loans to customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply 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, estimates about the borrowers' ability to repay, an assessment of any guarantees and the impact of macroeconomic variables and risks of the sectors in which the bank's customers operate, with respect to the accounting standards and the credit policy approved by the board of directors on 26 November 2019.

Risks, uncertainties and impact of the COVID-19 epidemic

The general and sector macroeconomic framework, still affected by significant uncertainty caused by the continuation of the COVID-19 pandemic and the associated containment measures, continues to require that banks govern the impacts of this situation on the credit risk and related financial statement measurements. In this regard, in 2021 the bank continued to monitor the situation, with dedicated analyses aimed at identifying the best way to intervene on the credit risk measurement and forecast systems, aligning them with changes detected from time to time and avoiding excessive pro-cyclicality in the definition of collective provisions, as recommended by the regulators (especially ESMA and ECB).
The bank implemented the EBA indications, issued several times throughout 2020, on the treatment of moratoria (statutory and professional) and, in 2021, implemented careful monitoring of the performing exposures subject to moratoria in order to assess their correct classification in the financial statements.

Contract modifications and accounting derecognition (IFRS9)

1) ECL calculation model

In order to limit the effects associated with the estimated economic recovery, a number of "top-down" corrections were applied, including the "expert" assignment of the probability of occurrence of the macroeconomic scenarios considered by the ECL model, in particular the probability of the 100% weighted adverse scenario.

2) Classification of exposures subject to moratoria

The high rate of vaccination in advanced countries and in some emerging countries reduced the sensitivity of the global economy to the fresh wave of the COVID-19 pandemic. Economic growth was especially supported by the recovery in the demand for services associated with reopening, while manufacturing is now significantly slowed down by difficulties in international logistics, the scarcity of intermediate goods and commodities and also by problems of sectoral reallocation of the workforce. A widespread acceleration in inflation is being observed, albeit largely explained by the energy sector. The economic indexes for the eurozone still indicate strong GDP growth. In Italy, economic activity also recorded a vigorous recovery, which translated to a modest increase in employment and a drop in the rate of unemployment of the workforce.
Considering the continuation of the underlying rationales, the decisions identified in the 2020 Budget remain substantially confirmed, which, in light of changes in the overall healthcare and economic framework, were subject to further calibration and refinement.
In relation to the classification of credit exposures, no additional measures were recorded in 2021 by the Italian government on moratoria, after the last extension with the "Sostegni Bis" decree law. As a matter of fact, this decree law offered the possibility to benefit from an additional extension of the moratoria ex-lege until 31 December 2021; this provision is only valid upon request by companies already approved for the benefit of a moratorium granted previously with the Cura Italia Decree (expiring on 30 June). The suspension from 1 July onwards refers to the capital portion only, while the interest that gradually accrues must be paid. In this regard, the forbearance framework envisaged by the EBA guidelines on moratoria expired on 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 covers the extension measures of existing moratoria, it was considered appropriate to classify exposures subject to moratoria at 31 December 2021 as stage 2.

3) Amendment to IFRS16

With reference to lease contracts, the bank did not use the practical expedient provided for by Regulation (EU) no. 1434/2020.

PURCHASE OF TAX CREDITS

The credits introduced with decrees n.18/2020 "Cura Italia" and no. 34/2020 "Rilancio" purchased following transfer by the direct beneficiaries or previous buyers refer to tax incentive measures related both to investment spending and current expenses. These tax incentives, applicable to families or companies, are commensurate with a percentage of the expenses incurred and are paid in the form of tax credits or tax deductions. The main characteristics of the tax credits introduced by the Decrees are:

- the possibility of use in offsetting over a limited period of time;
- the ability to transfer to third-party buyers;
- the non-reimbursability by the tax authorities.

The specific characteristics of the tax credits are such that they do not fall within the scope of application of any IAS/IFRS. In this case, therefore, paragraph 10 of IAS 8 applies, which requires the definition of an accounting policy that can provide adequate disclosure in the financial statements. On 5 January 2021, the supervisory authorities of the Bank of Italy, CONSOB and IVASS published the "Bank of Italy/CONSOB/IVASS Document no. 9 - Round table on application of IAS/IFRS" with regard to the accounting treatment of the aforementioned credits. This document examines which accounting standards and possible accounting treatments could be applicable and the related information to be provided in the periodic reports. Taking account of the guidelines provided by the supervisory authorities, the bank considered that an accounting model based on IFRS9 would represent the most suitable approach to provide reliable information.

The bank made use of consultancy services from E&Y and CRIF. In late December 2021, the loans agreed, as regards the repurchase of the tax credit, totalled approximately € 1.5 million.

Initial recognition

The tax credit is initially recognised at fair value, corresponding to the price of the operation, including the initial costs directly attributable to the operation. The effective interest rate is calculated by estimating the expected cash flows, taking account of all the due dates related to the tax credit.

Subsequent recognition

After the initial recognition, for the purposes of the subsequent measurement, the following was taken into consideration:

- the time value of money;
- the use of an effective interest rate;
- the flows of use of the tax credit through offsetting.

The effective interest rate used, therefore, was the one determined originally so that the discounted cash flows associated with the expected future offsetting estimated along the envisaged duration of the tax credit were equal to the purchase price. It was therefore necessary to estimate the expected offsetting by taking account of all due dates related to the tax credit, including the fact that the unused tax credit in each period of compensation would be lost. Using the amortised cost method, it was necessary, pursuant to paragraph B5.4.6 of IFRS 9, to periodically review the estimates of the cash flows and to adjust the gross accounting value of the financial asset to reflect the effective and redetermined cash flows. The income determined with the effective interest rate will be recognised in "Interest and similar income". The same caption contains the gains/(losses) determined by the revision of the estimates on expected cash flows, with the exception of those deriving from the non-use of the tax credits purchased, which will be recognised in other net provisions.

In the event of transfer to third parties, the difference between the price collected and the residual amortised cost at the transfer date will be recognised in "Net gain from sales or repurchases of:

a) financial assets at amortised cost".

Representation in the financial statements

With reference to the representation, taking account of the fact that the tax credits purchased do not represent, pursuant to international accounting standards, tax assets, public contributions, intangible assets or financial assets, it was considered that the most appropriate classification, for the purposes of presentation in the financial statements, was the residual classification of "Other assets" of the statement of financial position in line with the provisions of IAS 1.

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A2 – ACCOUNTING POLICIES

1 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Recognition
Debt and equity instruments are initially recognised at their settlement date while derivative contracts are recognised at the date they are signed.

Financial assets held for trading are initially recognised at fair value, which usually equals the consideration paid, without considering transaction costs or revenue, which are recognised in profit or loss.

The host contract is recognised using the relevant standard.

b) Classification
Financial assets at fair value through profit or loss include debt and equity instruments acquired to make profits, including through their trading, which meet the requirements of the bank's business model.

Hedging derivatives with positive fair values are included in this caption, including those embedded in financial instruments that meet the conditions for separation of the underlying derivatives.

c) Measurement
Financial assets held for trading are measured at fair value following initial recognition. Changes in fair value are taken to profit or loss.

The fair value of financial instruments listed on active markets equals the reporting date market closing prices.

The fair value of financial instruments traded on inactive markets is determined using commonly adopted estimation/valuation models that take into account market data such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models, prices registered in recent similar transactions, considering the different risk profiles of the instruments.

A market is defined as inactive when there are significant differences in the bid/ask prices of the instrument in question.

Credit valuation adjustment (CVA) and debit valuation adjustment (DVA)
Current legislation confirms that the pricing of a derivative, in addition to depending on market factors, must also include the measurement of the counterparty's credit quality determined through the credit valuation adjustment (CVA) and debit valuation adjustment (DVA).
To measure the counterparty's credit quality, the bank adopts the following methodology.
Credit valuation adjustment (CVA) is the value adjustment of the credit component (using positions with a positive fair value) of an OTC derivative stipulated with an external counterparty, which constitutes the market value of the potential loss due to the difference in the market prices on the derivative in question, due to the worsening of the credit rating/default of the counterparty.

Conversely, debit valuation adjustment (DVA) is the value adjustment of the debit component (using positions with a negative fair value) of an OTC derivative stipulated with an external counterparty, i.e. the market value of the potential earning due to the difference in the market prices on the derivative in question caused by the worsening of the credit rating/default of the bank.

When determining the CVA/DVA, under certain conditions the IFRS 13 refers to a calculation valuation that must be made for a netting set or counterparty, therefore on the basis of the carrying amount and not at individual contract level. In addition, the presence of any exchanged collateral or netting agreements must be considered.
The bank currently avails of bilateral netting agreements for derivative contracts, on the basis of which the mutual credit and debit positions of the mark to market are offset automatically and daily by establishing a single net balance, without novation: this then results in the sole payment of net income by the borrower. This activity permits a notable reduction in the exposure to credit risk and, consequently, in the impact of the CVA/DVA on the fair value.

d) Derecognition
These financial assets are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

e) Recognition of costs and revenue
Interest and dividends are recognised under "Interest and similar income" and "Dividends and similar income", respectively. Trading income or expense and gains or losses on the sale of financial assets are recognised under Net income from trading activities.

2 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

a) Recognition
Financial assets managed under the hold to collect and sell (HTCS) model are initially recognised at the settlement date (debt and equity instruments) or at the disbursement date (loans and financing). They are initially recognised at fair value, which usually equals cost, including any transaction costs or revenue.

b) Classification
This category, based on the business model, includes the non-derivative financial assets that passed the SPPI test. The objective of the business model is achieved by both collecting contractual cash flows and carrying out sales regulated by the powers attributed by the financial regulations and justified to the finance committee based on the market outlook.

This caption includes equity for equity investments held for purposes other than trading, for which at the time of initial recognition, the option was irrevocably exercised to recognise the fair value gains (losses) in the comprehensive income statement following the initial recognition in the financial statements.

c) Measurement
These financial assets are subsequently measured at fair value with any fair value gains or losses being recognised in a specific equity reserve.

The fair value of financial instruments listed on active markets equals the reporting date market closing prices.

The fair value of financial instruments not traded on an active market is determined based on the price of instruments with similar characteristics or the present value of future cash flows, considering the different risk profiles inherent in the instruments, or based on the actual prices for trades of the same asset.

A market is defined as inactive when there are significant differences in the bid/ask prices of the instrument in question.

When fair value cannot be determined reliably, equity instruments and related derivatives are carried at cost.

The value of the held to collect and sell instruments is also subject to collective impairment.

Impairment losses are recognised in profit or loss with a balancing entry in a special equity reserve.

When the reasons for impairment no longer exist, an impairment gain is recognised, with a balancing entry in:
- equity for equity instruments;
- profit or loss for debt instruments.

d) Derecognition
These financial assets are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

e) Recognition of costs and revenue
Interest, calculated using the effective interest method, and dividends are recognised under "interest and similar income" and "dividends and similar income" respectively. Trading income

or expense are recognised in the "gain (loss) on sale or repurchase of financial assets at fair value through comprehensive income". Gains and losses on the fair value measurement of HTCS financial assets are recognised in the "valuation reserves" under equity and reclassified to profit or loss when sold, except for those on equities.

Impairment losses/gains arising from impairment testing are recognised as "Net impairment losses/gains on financial assets at fair value through other comprehensive income", while those on equity instruments are recognised in the "Fair value reserve" under equity.

3 - FINANCIAL ASSETS AT AMORTISED COST

Loans to customers AND BANKS

a) Recognition
Loans and receivables are initially recognised at the disbursement date or, in the case of a debt instrument, at the settlement date, based on the financial instrument's fair value, which usually equals the amount disbursed, or the subscription price, including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently.

The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs. Reverse repurchase agreements and repurchase agreements are recognised as lending or funding transactions.

Specifically, spot resale and forward repurchase agreements are recognised as a liability for the spot amount received while spot repurchase and forward resale agreements are recognised as an asset for the spot amount paid.

b) Classification
Under the bank's HTS business model and SPPI test, this category includes the non-derivative loans and debt instruments with banks and customers, both disbursed directly and purchased from third parties, with fixed or determinable repayments.

This caption includes trade receivables, reverse repurchase agreements, finance lease receivables and securities purchased as part of underwriting or private placement transactions with fixed or determinable repayments, listed on an active market. Following the 7th update of Bank of Italy circular 262, "Banks' financial statements: layouts and preparation", all on demand Loans to banks and central banks in deposits and current accounts are recognised in caption 10 "Cash and cash equivalents", therefore, caption 40 "Assets at amortised cost" includes the Loans to banks and central banks other than those payable "on demand".

c) Measurement

When managed under a business model whose objective is to collect the contractual cash flows at maturity and, therefore, if they passed the SPPI test, loans and receivables are measured at amortised cost. Sales of assets of debt instruments classified in the HTC portfolio may be carried out when:
- there is an increase in the credit risk of a financial asset;
- the maturity of the financial instrument is short term, so the proceeds from their sales approximate their residual cash flows;
- the frequency, corresponding to the turnover rate of the HTCS portfolio observed in the period, is rare;
- the aggregated amount of the sales made on the portfolio is not considered significant.

After initial recognition, loans and receivables and debt instruments are measured at amortised cost, that is, they are measured at initial recognition minus/plus principal repayments, impairment losses/reversals of impairment losses and cumulative amortisation, using the effective interest method. The effective interest rate is the date that exactly discounts estimated future payments over the expected life of the loan or receivable to the carrying amount at the time of initial recognition, including directly attributable transaction costs and amounts paid or received between the contracting parties. The economic effect is distributed financially over the residual life of the exposure.

The amortised cost method is not used for short-term loans (with maturities of less than 12 months) as discounting these loans has no material impact. They are measured at historical cost.

Loans without a specified maturity and revocable loans are treated similarly.

Loans and receivables and debt instruments are tested for impairment at least at each annual or half yearly reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition or a worsening in the debtors' solvency.

The Stage 3 non-performing exposures include bad exposures, unlikely to pay exposures and exposures past due by more than 90 days. The stage 3 exposures are classified where applicable by considering the multi-scenario value of the non-performing financial assets. On the basis of the information set out in the ITG "Inclusion of cash flows expected from the sale on default of loan" by IFRS Foundation staff and in the "Guidance to banks on non-performing loans (NPL)" published by the European Central Bank in March 2017 for the proactive management of non-performing exposures, the bank has included forward-looking factors in the valuation of non-performing assets (classified in particular as bad exposures) through recovery provisions developed from a multi-scenario perspective. Therefore, where applicable, stage 3 exposures are measured by weighing the estimated realisation value in the two possible scenarios, i.e. the "sale" value and the "internal recovery" value. In the latter measurement, the estimate of the expected cash flows is the result of an analytical valuation of the position for the bad, unlikely to pay and past due exposures exceeding ceilings established by internal legislation. For unlikely to pay and past due exposures below the ceilings established by internal legislation, the expected loss is determined using statistical impairment methods. The impairment loss is equal to the difference between their carrying amount at the measurement date (amortised cost) and the present value of the recoverable cash flows, calculated using the effective interest rate. Estimated future cash flows are determined considering the estimated recovery time and the estimated realisable amount of any guarantees. The original effective interest rate of each exposure is unchanged over time. The recovery time is reasonably estimated considering general or specific factors. General factors include the estimated recovery time considering the nature of the transaction while specific factors include the estimate of future cash flows considering negotiations for an out-of-court settlement or ongoing debt rescheduling plans. The bank monitors the difference between the originally planned recovery time and the effective cash flows to best estimate the expected recovery times.

Exposures and debt instruments for which objective indicators of impairment are not identified, i.e., performing, are managed under the HTC business model if they pass the SPPI test, are subject to collective assessment and are measured at amortised cost.
IFRS 9 has introduced new impairment rules for performing exposures using not only 12-month but also lifetime risk factors (PD, LGS, EAD and ECL). It also replaced the "incurred credit losses" approach with the "expected credit losses (ECL)" approach. Following the application of this approach, the bank has categorised its exposures into stages based on the 12-month or lifetime ECL and the increase in their credit risk. Therefore, any changes to the ECL, credit risk and forecast future conditions may cause a variation in the collective assessment of performing exposures.

In accordance with the above impairment rules, performing exposures are classified as follows:

- Stage 1: financial instruments whose credit risk has not significantly increased since initial recognition or with a low credit risk at the reporting date;
- Stage 2: financial instruments whose credit risk has increased significantly since initial recognition, but for which there is no objective evidence of impairment;

Impairment losses are recognised in profit or loss.

The loss attributable to discounting cash flows of stage 3 exposures is released on an accruals basis using the effective interest method and recognised as interest income.

The debt instruments recognised in the HTC portfolio are also subject to collective impairment.

Collectively-determined impairment losses are recognised in profit or loss.

Any additional impairment losses or gains are recalculated at each reporting date using a different approach considering the entire performing exposure portfolio at that date.

When the reasons for impairment are no longer valid, the impairment loss is reversed.

d) Derecognition
Loans and receivables and debt instruments transferred are derecognised when substantially all the risks and rewards of ownership of the asset are transferred.

Conversely, if the risks and rewards associated with the asset are retained, the loan or receivable continues to be recognised to the extent of the bank's continuing involvement in the asset, even though legal title has been transferred.

When it is not possible to verify the substantial transfer of the risks and rewards, the assets are derecognised when no control thereover is retained. If even a portion of control is retained, the asset continues to be recognised in line with the bank's continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, transferred loans and receivables are derecognised when the bank retains the contractual rights to receive the related cash flows with the concurrent obligation to pay them to a third party.

e) Recognition of costs and revenue
Interest on exposures and debt instruments is recognised under "Interest and similar income". Impairment losses and gains are recognised under "Net impairment losses/gains on loans and receivables – a) financial assets at amortised cost".

Gains or losses on sales are shown under "Gain (loss) on sales or repurchases of financial assets at amortised cost".

4 - HEDGING DERIVATIVES

The bank has not undertaken hedging transactions.

5 – EQUITY INVESTMENTS

At the reporting date, the bank did not have investments in subsidiaries or associates.

6 - PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

a) Recognition
Property, equipment and investment property are initially recognised at cost, including directly related charges.

Subsequent maintenance expenditure is capitalised if it leads to an increase in the future economic benefits generated by the asset.

Borrowing costs are recognised in accordance with IAS 23 and are, therefore, recognised as a cost in the year in which they are incurred.

Recognition of the rights of use of lease/rental contracts as required by IFRS16.

b) Classification
Property, equipment and investment property include land, owned buildings and investment property, furniture, fittings, technical systems, rights of use of leased or rented assets defined by IFRS16 and other assets held for use in production or to supply goods and services, for lease to third parties or for administrative purposes which will be used over more than one period.

Buildings and appurtenance land are recognised separately when purchased.

c) Measurement
Property and equipment are measured at cost net of accumulated depreciation and any impairment losses.

They are depreciated systematically over their useful lives on a straight-line basis, except for land which has an indefinite useful life and is not depreciable. Should the carrying amount of land be included in that of the related building, they are separated using an appraisal performed by sector experts.

These assets are tested for impairment when there is objective indication thereof.

The rights of use of the leased/rented assets are subject to amortisation according to the provisions of IFRS16 based on the duration of the contract.

Investment property is measured at fair value, which is determined periodically using specific appraisal estimates prepared by sector experts.

d) Derecognition
An asset is derecognised when divested or when it is no longer used and its disposal is not expected to generate future risks or benefits.

The rights of use of leased/rented assets are derecognised upon maturity or termination of the contract.

e) Recognition of costs and revenue
Accumulated depreciation and any impairment losses on property and equipment are recognised under "Depreciation and net impairment losses on property, equipment and investment property". Fair value gains and losses on investment property are recognised under "Fair value gains (losses) on property, equipment and investment property"

7 – INTANGIBLE ASSETS

a) Classification
Intangible assets include long-term software licences.

b) Recognition and measurement
Intangible assets are recognised at cost, including directly related charges only when it is probable that the future economic benefits of the asset will materialise and its cost can be determined reliably.

Annually, or whenever there is evidence of impairment, an impairment test is carried out.

Impairment losses are recognised in profit or loss.

The cost of assets with finite lives is amortised on a straight-line basis over their useful lives.

c) Derecognition
Intangible assets are derecognised upon their disposal or when no future benefits are expected therefrom.

d) Recognition of costs and revenue
Accumulated amortisation is recognised under "Amortisation and net impairment losses on intangible assets". Impairment losses on goodwill and intangible assets with indefinite useful lives are taken to "Impairment losses on goodwill" and "Amortisation and net impairment losses on intangible assets", respectively.

8 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS

The bank does not have non-current assets classified as held for sale.

9 - CURRENT AND DEFERRED TAXES

a) Classification
Current tax assets and liabilities consist of tax advances paid and income taxes on the tax base for the year, respectively.

Deferred tax assets and liabilities originate on the temporary differences between the carrying amounts of assets and liabilities and their tax bases.

b) Recognition and measurement
Current and deferred taxes, calculated in accordance with the Italian tax legislation, are recognised on an accruals basis, in line with the costs and revenue generating them and using enacted tax rates. Income taxes are recognised in profit or loss except for those related to captions recognised directly in equity.

Income taxes are provided for based on a prudent estimate of the current and deferred taxes.

Current taxes are the net of current tax liabilities and current tax assets, being the advances and tax withholdings paid.

Deferred taxes are determined considering the temporary differences (without time limits) between the carrying amount of assets and liabilities and their tax bases.

The estimate of recoverability is made by performing a probability test, as set out by IAS 12. This test is based on an economic prediction developed across a future period of 3 years, adjusting its pre-tax profit to consider temporary and permanent future differences in accordance with the tax regulations in force at the valuation date, so as to give an estimate of the future tax results capable of determining the recovery of deferred tax assets.

Following enactment of Law no. 214/2011, governing the recognition of deferred tax assets, a round table was held during which Bank of Italy, CONSOB and ISVAP discussed the issue in the light of the IFRS. On 15 May 2012, they published a document stating that, due to the above-mentioned law, the probability test is automatically passed, as the recoverability of deferred tax assets is now certain in any circumstances. Accordingly, they are recognised in the financial statements.

Deferred tax liabilities include income taxes payable in future periods for temporary taxable differences.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting.

c) Recognition of costs and revenue
Current and deferred taxes are recognised under "Current and deferred tax assets" and "Current and deferred tax liabilities" respectively.

They are recognised in equity if they relate to transactions recognised directly in equity.

10 - FINANCIAL LIABILITIES AT AMORTISED COST

Debt securities issued

a) Recognition
These financial liabilities are recognised when the amounts are received or the debt instruments are issued.

They are initially recognised at fair value, which is normally equal to the consideration received or the issue price, plus or minus any additional costs or revenue directly attributable to the individual transaction and not reimbursed to the creditor. The fair value of financial liabilities issued at other than market conditions is estimated and the difference compared to the consideration received is recognised directly in profit or loss, when the conditions of IFRS9 are met.

b) Classification
Due to banks, due to Debt securities issued include the characteristic types of interbank and customer funding as well as lending through certificates of deposit and bonds issued net of any repurchases.

c) Measurement
After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Conversely, current financial liabilities continue to be measured at the consideration received as the effect of the amortised cost measurement would be negligible.

d) Derecognition
Financial liabilities are derecognised when they expire or are extinguished. They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price, with no effect on profit or loss.

e) Recognition of costs and revenue
Interest is recognised under "Interest and similar expense". Gains and losses on the repurchase of the liabilities are shown under "Gain (loss) from sales/repurchases of financial liabilities".

11 - FINANCIAL LIABILITIES HELD FOR TRADING

a) Recognition
Financial liabilities held for trading are initially recognised at the settlement date while derivatives are recognised at their agreement date.

They are initially recognised at fair value, which usually equals the consideration received, without considering directly related transaction costs and revenue.

b) Classification
The category includes financial liabilities held for trading. It also includes embedded derivatives with a negative fair value.

c) Measurement
Financial liabilities held for trading are subsequently measured at fair value through profit or loss.

Market prices are used to determine the fair value of financial instruments listed on active markets. If an active market does not exist, commonly adopted estimation/valuation models that take into account market data such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions are used.

d) Derecognition
Financial liabilities held for trading are derecognised when they expire, are extinguished or all the related risks and rewards are transferred to third parties.

e) Recognition of costs and revenue
Fair value gains and losses are recognised in)" Net income from trading activities.

12 – FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The bank has not undertaken this type of transaction.

13 - FOREIGN CURRENCY TRANSACTIONS

a) Recognition and derecognition
Foreign currency transactions are initially recognised in Euros by applying the exchange rate prevailing at the transaction date.

b) Classification and measurement
Foreign currency assets and liabilities are translated into Euros at each reporting date using the following criteria:

- ✓ monetary items are translated using the closing rates;
- ✓ non-monetary items measured at historical cost are translated using the transaction-date exchange rates;
- ✓ non-monetary items measured at fair value are translated using the closing rates.

c) Measurement of costs and revenue
Exchange differences arising from the settlement of monetary items or from the translation at exchange rates other than the initial translation rate or the prior closing rate are recognised in profit or loss in the period in which they arise.

When the gain or loss on a non-monetary item is recognised in equity, the exchange gain or loss is also taken to equity. However, when the gain or loss is recognised in profit or loss, the related exchange gain or loss is recognised there too.

All exchange gains and losses are recognised under Net income from trading activities.

14 - OTHER INFORMATION

14.1 – PROVISIONS FOR RISKS AND CHARGES

a) Recognition and derecognition

b) Classification

c) Measurement

commitments and guarantees granted
The fund includes the risk assessment of the guarantees and the commitments to disburse performing exposures. The measurement criterion is the one established for performing exposures. For stage 3 endorsement credits, the measurement is analytical.

Pension and similar provisions
They include the supplementary pension fund organised by INPS (the Italian social security institution).

The fund, which technically is a defined benefit plan, includes accruals to guarantee pensioners with the related vested rights a supplementary pension, determined on an objective and realistic forward-looking basis, equal to the "mathematical reserve" calculated by an external actuary. It is recognised in accordance with IAS 19 as amended by the IASB in 2011, which eliminated the corridor approach and requires the immediate recognition of any actuarial gains or losses in equity (OCI).

other provisions for risks and charges
other provisions for risks and charges include provisions made when the following concurrent conditions are met:

a) the bank has a present legal or constructive obligation as a result of a past event;
b) it is probable that an outflow of resources will be necessary to settle the obligation;
c) the obligation can be determined reliably.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation or transfer it to third parties at the closing date.

The types of events that could require provisions are:

a) ongoing legal disputes;
b) risks for ongoing claw-back claims;
c) certain or probable obligations arising from contractual commitments or an executive ruling which is not yet final.

When the effect of the time value of money is material, the provisions are discounted using the spot market rates at the closing date.

d) Recognition of costs and revenue
Accruals to these provisions are recognised in "Net accruals to provisions for risks and charges" while those for Employee termination indemnitiesare recognised under "Personnel expense".

14.2. Employee termination indemnities

a) Recognition
b) Classification
c) Measurement
d) Derecognition
Employee termination indemnitiesare recognised at their actuarial value.

This value is determined using the procedure for defined benefit plans and the projected unit credit method, whereby future payments are projected using historical series analyses and demographical trends and discounted using a market rate.

Accruals are recognised under "Personnel expense" and include the Italian Civil Code revaluation and interest expense on the increase in present value due to the time value of money. The actuarial gains or losses are calculated in accordance with IAS 19, as amended by the IASB in 2011, which eliminated the corridor approach and their full recognition in profit or loss, requiring their recognition in other comprehensive income (OCI), hence directly in an equity reserve without affecting profit or loss.

e) Recognition of costs and revenue
Actuarial gains and losses are recognised as other comprehensive income, in a specific equity reserve.

14.3 - Treasury shares

The bank did not have any treasury shares in its portfolio at the reporting date.

14.4 - Dividends and revenue recognition

In accordance with IFRS 15, revenue is recognised when the contractual obligation to transfer a promised good or service is met. Transfer is considered to be completed when the customer obtains control of the good or service. This may take place in two ways:

1) over time, or
2) at a point in time.

Specifically, dividends are recognised in profit or loss when the right to receive their payment arises.

Income from the trading or issue of financial instruments, being the difference between the transaction price and the instrument's fair value, is recognised in profit or loss when the transaction is recognised if the fair value can be determined using parameters or recent transactions on the same market as that on which the instrument is traded; if not, they are deferred and recognised over the instrument's term considering its nature.

Income from financial instruments that cannot be measured using the above methods is taken to profit and loss over the transaction's term.

A.3 – TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

The bank has not reclassified any financial assets.

A.3.2. Reclassified financial assets: change in business model, fair value and impact on OCI

The bank did not reclassify its financial assets as a result of a change in its business model.

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

The bank did not reclassify its financial assets as a result of a change in its business model.

A.4 - FAIR VALUE

Qualitative disclosure

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 on the principal market at the measurement date.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The fair value of financial instruments quoted on active markets is calculated using the official prices of the principal market. A financial instrument is considered to be quoted on an active market if the quoted prices are promptly and regularly available in a price list, from an operator, broker, etc. and these prices represent effective market transactions that take place regularly in normal conditions.

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

If an active market that can give the price of a financial instrument does not exist, the bank determines fair value using the following methods:

- ***Market approach***: the bank uses prices generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities.
- ***Discounted cash flow***: the bank estimates future cash flows expected or generated by the financial instrument which it discounts using risk free rates to which it adds the credit spread requested by the market for instruments with similar risk profiles.
  Fair value equals the sum of the discounted cash flows.
  The credit spread for performing exposures with customers is calculated considering expected losses.
  The fair value of credit-impaired exposures is their carrying amount.
- ***Similar transactions***: the fair value of equity instruments for which market prices or market prices for identical or similar assets are not available is based on recent transactions or the unrestricted trade of the same instrument.
  If there are no recent transactions by third parties, the bank uses the transaction performed to acquire the financial instrument to calculate its fair value.

Financial products are classified as level 2 when fair value is determined by using observable inputs on an active market. They are classified as level 3 when market sources do not provide a market price and the bank applies valuation techniques used on the market and applied to its assets.
Financial instruments not measured at fair value, including Loans to customers and banks, are not managed on the basis of the fair value. For these instruments, the fair value is only calculated to comply with the disclosure requirements of IFRS 13 and does not affect the financial statements or profit or loss. As these instruments are not traded, determination of their fair value is based on internal parameters not directly observable on the market as defined by IFRS 13.
The fair value of debt instruments issued by the bank and recognised at amortised cost is determined using the effective interest method.

A.4.2 Measurement processes and sensitivity

The bank has measured investments in unlisted entities, classified in the HTCS portfolio and for which observable prices in an active market do not exist, as fair value level 3. As mentioned earlier, the carrying amount was determined using the prices of the most recent transactions performed. The bank performed a sensitivity analysis for these assets, assuming a variation of -10%/+10% in equity. The following table shows the possible variations:

Investee	Equity	Investment %	Share of equity	Variazioni di Patrimonio netto del -10%	Variazioni di Patrimonio netto del +10%	Carrying amount at 31/12/2021
Bancomat S.p.A.	24,295,636	0.1000%	24,296	21,866	26,725	21,945
CBI S.c.p.a.	3,964,527	0.3284%	13,020	11,718	14,322	3,022
CARICESE S.r.l.	16,574,900	0.5000%	82,875	74,587	91,162	20,000
ConfidiCoop Marche	29,430,510	1.5000%	441,458	397,312	485,603	100,000
CSE Consorzio Servizi Bancari S.r.l.	95,538,168	5.0000%	4,776,908	4,299,218	5,254,599	6,250,000
Fermano Leader s.c.a.r.l	47,221	1.5000%	708	637	779	3,000
S.W.I.F.T. - Brussels	487,078,000	0.0004%	1,790	1,611	1,969	2,529
SIA S.p.A. (former Società Servizi Bancari S.p.A.)	332,773,000	0.0340%	113,138	101,825	124,452	161,770
TOTAL	**989,701,962**		**5,454,193**	**4,908,774**	**5,999,611**	**6,562,266**

The above table shows that the fair value of the equity investments listed above (shown in the financial statements) is consistent with the inputs used for the sensitivity analysis.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy depending on the observability of the valuation technique inputs adopted. There are three levels:

1. Level 1: the fair value of instruments classified in this level is based on quoted prices in active markets;
2. Level 2: the fair value of instruments classified in this level is based on valuation models that use inputs that are observable on inactive/active markets for the asset or liability;
3. Level 3: the fair value of instruments classified in this level is based on valuation models used on the market and applicable to the bank's assets.

A.4.4. Other disclosures

The bank has not undertaken transactions that would require disclosure as per IFRS 13.51/93(i)/96.

Quantitative disclosure

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 level

Financial assets/liabilities measured at fair value	12/2021			12/2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	108,829	7,431	-	120,668	18,441	-
a) financial assets held for trading	*108,829*	*3,936*	-	*120,668*	*18,441*	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	*3,495*	-	-	-	-
2. Financial assets at fair value through other comprehensive income	913,250	10,000	6,562	483,097	10,000	6,587
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,022,079**	**17,431**	**6,562**	**603,765**	**28,441**	**6,587**
1. Financial liabilities held for trading	-	80	-	2	160	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**80**	**-**	**2**	**160**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets classified as trading in the L2 column of the A.4.5.1 table refer to debt instruments traded on inactive markets and measured using the criteria set out in Part A, section 2 of these notes.

Financial assets classified as at fair value through OCI in the L1 column of the A.4.5.1 table refer to:

- debt instruments traded on organised markets;

- the bank's listed equity instruments.

Financial assets classified at fair value through OCI in the L2 column of the table A.4.5.1 refer to debt instruments traded on inactive markets and measured using the criteria set out in Part A, section 2 of these notes and the investment in the Bank of Italy, for which the fair value can be objectively determined.

Financial assets classified as at fair value through OCI in table A.4.5.1 of the L3 column refer to unlisted equity investments and investments in companies limited by quotas (S.r.l.) acquired by the bank over the last few years with carrying amounts equal to the average prices struck for the last few acquisitions. If this information is not available, they are measured at cost.

A.4.5.2 Changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets at fair value through profit or loss				Financial assets at fair value through OCI	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Including: a) financial assets held for trading	Including: b) financial assets designated at fair value	Including: c) other financial assets mandatorily measured at fair value				
1. Opening balance	-	-	-	-	6,587	-	-	-
2. Increases	-	-	-	-	-	-	-	-
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-	-	-
2.2.1. Profit or loss	-	-	-	-	-	-	-	-
- including: gains on sales	-	-	-	-	-	-	-	-
2.2.2. Equity					-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	25	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Repayments	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	-	-	-	-	25	-	-	-
3.3.1. Profit or loss	-	-	-	-	-	-	-	-
- including: losses on sales	-	-	-	-	-	-	-	-
3.3.2. Equity					*25*	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	6,562	-	-	-

Item 3.3.2 “Decreases” expresses the impairment related to the investment in the voluntary scheme for € 22 thousand and the “Alipicene” investment for € 3 thousand.

A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (level 3)

The table has not been inserted since there is no instance of this case.

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 level

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/2021				12/2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	1,443,566	279,487	8,187	1,245,766	1,368,667	281,382	5,207	1,198,293
2. Investment property	541	-	-	541	559	-	-	559
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
TOTAL	**1,444,107**	**279,487**	**8,187**	**1,246,307**	**1,369,226**	**281,382**	**5,207**	**1,198,852**
1. Financial liabilities at amortised cost	2,649,086	-	-	2,652,832	1,973,930	-	-	1,979,215
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
TOTAL	**2,649,086**	**-**	**-**	**2,652,832**	**1,973,930**	**-**	**-**	**1,979,215**

PART B
Notes to the balance sheet

ASSETS

Section 1 - Cash and cash equivalents – Caption 10

1.1 Cash and cash equivalents: breakdown

Tax base / Amount	12/2021	12/2020
a) Cash	24,836	22,270
b) Current accounts and on-demand deposits with central banks	249,051	87,396
c) Current accounts and deposits with banks	82,330	8,466
Total	**356,217**	**118,132**

The comparable balance sheets at 31/12/2020 have been restated according to criteria standardised to the forecasts of the 7th update of Bank of Italy Circular 262/2005; specifically, activities with cash equivalents pursuant to IAS 7 were reclassified from caption 40. b) to caption 10.

Section 2 - Financial assets at fair value through profit or loss – Caption 20

2.1 Financial assets held for trading: breakdown by product

Tax base / Amount	12/2021			12/2020		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	100,892	454	-	115,926	18,281	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*100,892*	*454*	-	*115,926*	*18,281*	-
2. Equity instruments	6,402	-	-	-	-	-
3. OEIC units	1,301	2,949	-	4,734	-	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**108,595**	**3,403**	**-**	**120,660**	**18,281**	**-**
B. Derivatives						
1. Financial derivatives:	235	533	-	7	160	-
1.1 for trading	*235*	*533*	-	*7*	*160*	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**235**	**533**	**-**	**7**	**160**	**-**
Total (A + B)	**108,830**	**3,936**	**-**	**120,667**	**18,441**	**-**

The amount shown in the “Level 2” column for item “1.2 Other debt instruments” relates to the securities purchased by the bank and issued by the Porto Sant’Elpidio municipality for € 454 thousand.
The amount shown in the L2 column for caption “3. OEIC units” relates to shares in funds purchased as part of the management awarded to Epsilon Sgr.

2.2 Financial assets held for trading: breakdown by debtor/issuer

Tax base / Amount	12/2021	12/2020
A. ASSETS		
1. Debt instruments	**101,346**	**134,207**
a) Central banks	-	-
b) Public administrations	33,360	69,302
c) Banks	21,951	20,293
d) Other financial companies	31,384	30,894
including: insurance companies	*1,121*	*1,142*
e) Non-financial companies	14,651	13,718
2. Equity instruments	**6,402**	**-**
a) Banks	115	-
b) Other financial companies	880	-
including: insurance companies	*100*	-
c) Non-financial companies	5,407	-
d) Other issuers	-	-
3. OEIC units	4,249	4,734
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
including: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**111,997**	**138,941**
B. DERIVATIVES		
a) Central counterparties	235	7
b) Other	533	160
Total B	**768**	**167**
Total (A + B)	**112,765**	**139,108**

The derivatives set out in point B include:

- interest rate swaps;
- *Cap options*;
- *futures;*
- currency forwards.

The bank has agreed a mirroring derivative with leading national banks to hedge each IRS agreed with its customers. This led to the substantial overlapping of the fair value of the derivatives.

The futures and forwards relate to the assets managed by Epsilon SGR. They are listed and their fair value is based on their market prices at the reporting date. Futures are settled daily and, hence, the related changes in the margin account made by the clearing house are recognised in profit or loss.

2.5. Other financial assets mandatorily measured at fair value: breakdown by product

Tax base / Amount	12/2021			12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**-**	**22**	**-**	**-**	**-**	**-**
1.1Structured instruments	-	-	-	-	-	-
1.2Other debt instruments	-	22	-	-	-	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. OEIC units	**-**	**3,472**	**-**	**-**	**-**	**-**
4. Financing	**-**	**-**	**-**	**-**	**-**	**-**
4.1Reverse repurchase agreements	-	-	-	-	-	-
4.2Other	-	-	-	-	-	-
Total	**-**	**3,494**	**-**	**-**	**-**	**-**

The amount shown in item "3" expresses the value of the shares of Fondo Efesto acquired following the sale of UTP exposures. The initial value of the shares was € 4,205 thousand. The fund repaid € 176 thousand. At 31 December, the bank recognised impairment by reducing the value of the shares by 15% (liquidity discount), and by accounting for the impairment loss of € 555 thousand in profit or loss.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

Tax base / Amount	12/2021	12/2020
1. Equity instruments	**-**	**-**
including: banks	-	-
including: other financial companies	-	-
including non-financial companies	-	-
2. Debt instruments	**22**	**-**
a)Central banks	-	-
b)Public administrations	-	-
c)Banks	-	-
d)Other financial companies	22	-
including: insurance companies	-	-
e)Non-financial companies	-	-
3. OEIC units	**3,472**	**-**
4. Financing	**-**	**-**
a)Central banks	-	-
b)Public administrations	-	-
c)Banks	-	-
d)Other financial companies	-	-
including: insurance companies	-	-
e)Non-financial companies	-	-
f)Households	-	-
Total	**3,494**	**-**

Item 2. d) "Other financial companies" shows the value of the residual mezzanine securities (5%) following the multi-originator securitisation operation with GACS, Buonconsiglio 4.

Section 3 - Financial assets at fair value through other comprehensive income - Caption 30

3.1 Financial assets at fair value through other comprehensive income: breakdown by product

Tax base / Amount	12/2021			12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	913,158	-	-	483,020	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*913,158*	-	-	*483,020*	-	-
2. Equity instruments	92	10,000	6,562	77	10,000	6,587
3. Financing	-	-	-	-	-	-
Total	**913,250**	**10,000**	**6,562**	**483,097**	**10,000**	**6,587**

Financial assets at fair value through other comprehensive income:

1. in the L1 column refer to:
    a. a. debt instruments traded on regulated active markets;
    b. listed equity instruments;
    c. other listed investments.
2. in the L2 column refer to debt instruments traded on inactive markets and measured using the criteria set out in Part A, section 2 of these notes and the investment in Bank of Italy, for which fair value can objectively be determined;
3. in the L3 column refer to equity instruments measured based on recent transactions. If this information is not available, they are measured at cost.

3.2 Financial assets at fair value through other comprehensive income: breakdown by debtor/issuer

Tax base / Amount	12/2021	12/2020
1. Debt instruments	**913,158**	**483,020**
a)Central banks	-	-
b)Public administrations	913,158	476,093
c)Banks	-	4,389
d)Other financial companies	-	2,538
including: insurance companies	-	-
e)Non-financial companies	-	-
2. Equity instruments	**16,654**	**16,664**
a) Banks	10,092	10,077
b) Other issuers:	6,562	6,587
- other financial companies	*122*	*144*
including: insurance companies	-	-
- non-financial companies	*6,440*	*6,443*
- other	-	-
3. Financing	**-**	**-**
a)Central banks	-	-
b)Public administrations	-	-
c)Banks	-	-
d)Other financial companies	-	-
including: insurance companies	-	-
e)Non-financial companies	-	-
f) Households	-	-
Total	**929,812**	**499,684**

3.3 Financial assets at fair value through other comprehensive income: gross amount and total impairment losses

Tax base / Amount	Gross amount					Total impairment losses				Partial/total write-offs
	Stage 1		Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
		including: instruments with a low credit risk								
Debt instruments	913,339	-	-	-	-	181	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-
Total (31/12/2021)	**913,339**	**-**	**-**	**-**	**-**	**181**	**-**	**-**	**-**	**-**
Total (31/12/2020)	**483,152**	**-**	**-**	**-**	**-**	**132**	**-**	**-**	**-**	**-**

Section 4 - Financial assets at amortised cost - Caption 40

4.1 Financial assets at amortised cost: Loans to banks broken down by product

Transaction/Amount	12/2021						12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with central banks	**20,195**	**-**	**-**	**-**	**-**	**20,195**	**16,417**	**-**	**-**	**-**	**-**	**16,417**
1. Term deposits	-	-	-				-	-	-			
2. Minimum reserve	20,195	-	-				16,417	-	-			
3. Reverse repurchase agreements	-	-	-				-	-	-			
4. Other	-	-	-				-	-	-			
B.Loans and receivables with banks	**1**	**-**	**-**	**-**	**-**	**1**	**95**	**-**	**-**	**-**	**-**	**95**
1. Financing	1	-	-				95	-	-			
1.1 Current accounts	-	-	-				-	-	-			
1.2. Term deposits	-	-	-				95	-	-			
1.3. Other financing	1	-	-				-	-	-			
- Reverse repurchase agreements	-	-	-				-	-	-			
- Financing for leases	-	-	-				-	-	-			
- Other	*1*	-	-				-	-	-			
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total	**20,196**	**-**	**-**	**-**	**-**	**20,196**	**16,512**	**-**	**-**	**-**	**-**	**16,512**

4.2 Financial assets at amortised cost: breakdown of Loans to customers by product

Transaction/Amount	12/2021						12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
Financing	**1,087,974**	**46,596**	**-**	**-**	**-**	**1,225,569**	**997,484**	**70,509**	**-**	**-**	**-**	**1,175,536**
1.1. Current accounts	88,545	13,819	-				92,537	23,468	-			
1.2. Reverse repurchase agreements	-	-	-				-	-	-			
1.3. Loans	883,177	26,983	-				812,777	40,507	-			
1.4. Credit cards, personal loans and salary-backed loans	38,315	521	-				30,297	712	-			
1.5. Financing for leases	-	-	-				-	-	-			
1.6. Factoring	-	-	-				-	-	-			
1.7. Other financing	77,937	5,273	-				61,873	5,822	-			
Debt instruments	**288,798**	**-**	**-**	**279,487**	**8,187**	**-**	**275,698**	**-**	**-**	**281,382**	**5,207**	**-**
1.1. Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other debt instruments	288,798	-	-	279,487	8,187	-	275,698	-	-	281,382	5,207	-
Total	**1,376,772**	**46,596**	**-**	**279,487**	**8,187**	**1,225,569**	**1,273,182**	**70,509**	**-**	**281,382**	**5,207**	**1,175,536**

Item “1.7. Other” of table 4.2 includes the following:

- import/export advances of € 6,900 thousand;
- advances on bills under reserve and invoices of € 60,798 thousand;
- portfolio risks of € 378 thousand;
- subsidies with or without repayment plans of € 10,231 thousand;
- loans and receivables with garnishee administration for salary-backed loans for € 113 thousand.

4.3 Financial assets at amortised cost: breakdown of Loans to customers by debtor/issuer

Transaction/Amount	12/2021			12/2020		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt instruments	**288,798**	**-**	**-**	**275,698**	**-**	**-**
a) Public administrations	275,639	-	-	270,671	-	-
b) Other financial companies	13,159	-	-	5,027	-	-
including: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing with:	**1,087,974**	**46,597**	**-**	**997,484**	**70,508**	**-**
a) Public administrations	55,437	34	-	23,050	1	-
b) Other financial companies	21,384	50	-	27,952	78	-
including: insurance companies	-	-	-	-	-	-
c) Non-financial companies	626,775	31,647	-	578,802	49,562	-
d) Households	384,378	14,866	-	367,680	20,867	-
Total	**1,376,772**	**46,597**	**-**	**1,273,182**	**70,508**	**-**

Item “1. Debt instruments” of the above table shows the securities classified in the HTC portfolio in line with the bank’s business model, the market value of which is € 287,099 thousand.

4.4 Financial assets at amortised cost: gross amount and total impairment losses

Tax base / Amount	Gross amount					Total impairment losses				Partial/total write-offs
	Stage 1	including: instruments with a low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt instruments	288,910	-	-	-	-	112	-	-	-	-
Financing	921,077	-	198,834	111,293	-	5,933	5,807	64,696	-	5,867
Total (31/12/2021)	**1,209,987**	**-**	**198,834**	**111,293**	**-**	**6,045**	**5,807**	**64,696**	**-**	**5,867**
Total (31/12/2020)	**1,138,019**	**-**	**171,067**	**157,554**	**-**	**6,276**	**4,652**	**87,045**	**-**	**13,426**

The caption financing of the stage 1 column includes Loans to banks of € 20.1 million.

The coverage of the financing with customers is shown in the following table:

Stage	financing with customers	Impairment losses	% hedged
Stage 1	900,834	5,933	0.66%
Stage 2	198,818	5,806	2.92%
Total	**1,099,652**	**11,739**	**1.07%**

4.4a Financing at amortised cost subject to COVID-19 support measures: gross amount and total impairment losses

Tax base / Amount	Gross amount					Total impairment losses				Partial/total write-offs
	Stage 1		Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
		including: instruments with a low credit risk								
1. Financing subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-
2. Financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	76,313	-	8,962	493	-	580	273	109	-	-
3. Financing subject to other forbearance measures	-	-	669	336	-	-	30	32	-	-
4. New financing	191,482	-	13,782	533	-	1,508	589	105	-	-
Total (31/12/2021)	**267,795**	**-**	**23,413**	**1,362**	**-**	**2,088**	**892**	**246**	**-**	**-**
Total (31/12/2020)	**282,554**	**-**	**73,942**	**13,509**	**-**	**2,888**	**2,384**	**3,943**	**-**	**-**

Item 3 indicates the financing subject to moratoria and with forbearance measures pursuant to Decree Law no. 18/2020 “Cura Italia” following the COVID-19 epidemic.

The amount indicated in item 4 refers to the financing disbursed under government guarantee according to the legislative provisions related to economic support for households and companies associated with the COVID-19 emergency.

Section 8 - Property, equipment and investment property - Caption 80

8.1 Property and equipment: breakdown of assets measured at cost

Asset / Amount	Total at 12/2021	Total at 12/2020
1 Owned	**12,134**	**13,247**
a) land	4,223	4,223
b) buildings	6,280	7,034
c) furniture	824	986
d) electronic systems	320	462
e) other	487	542
2 Rights of use acquired with leases	**6,723**	**7,823**
a) land	-	-
b) buildings	5,796	6,732
c) furniture	-	-
d) electronic systems	863	1,043
e) other	64	48
Total	**18,857**	**21,070**
including: obtained through enforcement of guarantees received	-	-

Item “2 Rights of use acquired with leases - b) buildings” in the above table indicates the rights of use on leased properties, calculated following application of IFRS 16 for € 5,796 thousand.

The amount under item “2 Rights of use acquired with leases - d) electronic systems” including the rights of use on leased electronic machinery amounts to € 863 thousand, while item “e) other” includes the rights of use for car hire for € 64 thousand.

8.2 Investment property: breakdown of assets measured at cost

Asset / Amount	Total at 12/2021				Total at 12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1 Owned	**541**	**-**	**-**	**541**	**559**	**-**	**-**	**559**
a) land	-	-	-	-	-	-	-	-
b) buildings	541	-	-	541	559	-	-	559
2 Rights of use acquired with leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**541**	**-**	**-**	**541**	**559**	**-**	**-**	**559**
including: obtained through enforcement of guarantees received	541	-	-	541	559	-	-	559

8.6 Property and equipment: changes

Tax base / Amount	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**4,223**	**33,401**	**6,780**	**7,002**	**7,252**	**58,658**
A.1 Accumulated depreciation and net impairment losses	-	26,367	5,794	6,540	6,710	45,411
A.2 Net opening balance	4,223	7,034	986	462	542	13,247
B.Increases:	**-**	**-**	**8**	**28**	**79**	**115**
B.1 Purchases	-	-	8	28	49	85
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-				-
B.7 Other changes	-	-	-	-	30	30
C.Decreases:	**-**	**754**	**170**	**170**	**134**	**1,228**
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation and depreciation	-	754	170	170	134	1,228
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-				-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**4,223**	**6,280**	**824**	**320**	**487**	**12,134**
D.1 Accumulated depreciation and net impairment losses	-	27,121	5,964	6,710	6,844	46,639
D.2 Gross closing balance	**4,223**	**33,401**	**6,788**	**7,030**	**7,331**	**58,773**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The decreases in line “C.2 Depreciation” of the table above comply with the tax rates established by the Ministry for the Economy and Finance decree as no material wear and tear was identified during the year.

A list of the property owned by the bank is attached to these notes.

8.6-bis Including - Property, equipment and investment property used for operations - Rights of use acquired with leases: changes

Tax base / Amount	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**8,845**	**-**	**1,613**	**175**	**10,633**
A.1 Accumulated depreciation and net impairment losses	-	2,113	-	570	127	2,810
A.2 Net opening balance	-	6,732	-	1,043	48	7,823
B.Increases:	**-**	**81**	**-**	**107**	**67**	**255**
B.1 Purchases	-	81	-	107	67	255
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-				-
B.7 Other changes	-	-	-	-	-	-
C.Decreases:	**-**	**1,017**	**-**	**287**	**51**	**1,355**
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation and depreciation	-	902	-	287	51	1,240
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-				-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	115	-	-	-	115
D. Net closing balance	**-**	**5,796**	**-**	**863**	**64**	**6,723**
D.1 Accumulated depreciation and net impairment losses	-	3,015	-	857	178	4,050
D.2 Gross closing balance	**-**	**8,811**	**-**	**1,720**	**242**	**10,773**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The previous statement highlights the changes in rights of use in line with the provisions of IFRS16.

Point B1 - “Purchases” shows the new tangible goods rental contracts signed in 2021 and the additions to existing contracts.

Point C.7 “Other changes” contains the changes due to fee revision of existing lease contracts.

8.7 Investment property: changes

Tax base / Amount	Total at 12/2021	
	Land	Buildings
A. Opening balance	**-**	**559**
B.Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Fair value gains	-	-
B.4 Impairment gains	-	-
B.5 Exchange gains	-	-
B.6 Transfers from property used for operations	-	-
B.7 Other changes	-	-
C.Decreases	**-**	**18**
C.1 Sales	-	-
C.2 Amortisation and depreciation	-	18
C.3 Fair value losses	-	-
C.4 Impairment losses	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) property used for operations	-	-
b) non-current assets held for sale and disposal groups	-	-
C.7 Other changes	-	-
D. Closing balance	**-**	**541**
E. Fair value	**-**	**-**

The above table shows the value of the properties assigned to the bank by the Courts of Terni and Fermo following credit recovery enforcement procedures.

Section 9 - Intangible assets - Caption 90

9.1 Intangible assets: breakdown by asset

Asset / Amount	Total at 12/2021		Total at 12/2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**-**		**-**
A.2 Other intangible assets	**131**	**-**	**107**	**-**
including: software	*131*	-	-	-
A.2.1 At cost	131	-	107	-
a) Internally-generated	-	-	-	-
b) Other assets	*131*	-	*107*	-
A.2.2 At fair value:	-	-	-	-
a) Internally-generated	-	-	-	-
b) Other assets	-	-	-	-
Total	**131**	**-**	**107**	**-**

9.2 Intangible assets: changes

Tax base / Amount	Goodwill	Other intangible assets: internally-generated		Other intangible assets: other		Total
		with finite life	with indefinite life	with finite life	with indefinite life	
A. Opening balance	**-**	**-**	**-**	**808**	**-**	**808**
A.1 Accumulated depreciation and net impairment losses	-	-	-	701	-	701
A.2 Net opening balance	**-**	**-**	**-**	**107**	**-**	**107**
B. Increases	**-**	**-**	**-**	**94**	**-**	**94**
B.1 Purchases	-	-	-	94	-	94
B.2 Increase in internally generated assets		-	-	-	-	-
B.3 Impairment gains		-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- equity		-	-	-	-	-
- profit or loss		-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**70**	**-**	**70**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	70	-	70
- Amortisation and depreciation		-	-	*70*	-	*70*
- Impairment losses	-	-	-	-	-	-
+ equity		-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses	-	-	-	-	-	-
- equity		-	-	-	-	-
- profit or loss		-	-	-	-	-
C.4 Transfers to disposal groups	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**131**	**-**	**131**
D.1 Accumulated amortisation and net impairment losses	-	-	-	771	-	771
E. Gross closing balance	**-**	**-**	**-**	**902**	**-**	**902**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Intangible assets include software packages amortised over five years unless their user licence provides otherwise.

Section 10 - Tax assets and liabilities - Caption 100 of assets and Caption 60 of liabilities

10.1 Deferred tax assets: breakdown

Components	12/2021
Personnel expense	778
Administrative expenses	832
Fair value losses on HTCS securities	620
Impairment losses on loans and receivables	11,062
Actuarial losses on agents' termination benefits/post-employment benefits	1,123
Total	**14,415**

"Impairment losses on loans and receivables" includes the deferred tax assets calculated during transition to IFRS9 on the impairment losses for € 3,610 thousand.

10.2 Deferred tax liabilities: breakdown

Components	12/2021
Fair value gains on bonds	-
Fair value gains on HTCS securities	2,337
Deferred gains	-
FTA depreciation of land	671
Post-employment benefits	235
Actuarial gains on post-employment benefits	-
Total	**3,243**

Deferred tax assets and liabilities were affected by changes in the fair value reserve of HTCS securities. Moreover, the tax legislative changes applicable to entities that apply the IFRS authorised use of the "derivazione rafforzata" criterion rather than the "neutrality" criterion. This substantially decreased the differences between the carrying amounts and tax bases of assets and liabilities with the resulting decrease in the related deferred tax assets and liabilities. Law no. 214/2011 introduced the provision for the conversion of deferred tax assets recognised on loans and receivables and goodwill when they satisfy the probability test. Table 10.3-bis shows the deferred tax assets covered by the law if the bank has an accounting or tax loss.

The probability test as envisaged by IAS 12 was carried out for the estimate of recoverability of other deferred tax assets. This test is based on the prediction for future years, adjusting its pre-tax profit to consider temporary and permanent future differences in accordance with the tax regulations in force at the valuation date, so as to give an estimate of the future tax results capable of determining the recovery of deferred tax assets.

10.3 Changes in deferred tax assets (recognised in profit or loss)

Tax base / Amount	Total at 12/2021	Total at 12/2020
1. Opening balance	**9,992**	**11,932**
2. Increases	**5,078**	**285**
2.1 Deferred tax assets recognised in the year	436	285
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	*436*	*285*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4,642	-
3. Decreases	**2,396**	**2,225**
3.1 Deferred tax assets derecognised in the year	2,396	2,225
a) reversals	*2,396*	*2,225*
b) impairment due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets as per Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	**12,674**	**9,992**

The amount shown in point “2.3 Other increases” for € 4,642 thousand refers to the deferred tax assets calculated during transition to IFRS9 initially attributed to equity but reclassified to profit or loss.

10.3-bis Change in deferred tax assets as per Law no. 214/2011

Tax base / Amount	Total at 12/2021	Total at 12/2020
1. Opening balance	**8,872**	**10,292**
2. Increases	**-**	**-**
3. Decreases	**1,420**	**1,420**
3.1 Reversals	*1,420*	*1,420*
3.2 Conversions into tax assets	-	-
a) arising on losses	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**7,452**	**8,872**

The above table shows the deferred tax assets related to impairment losses on loans and receivables that are convertible into tax assets should the bank record a loss for accounting or tax purposes as per Law no. 214/2011.

10.4 Changes in deferred tax liabilities (recognised in profit or loss)

Tax base / Amount	Total at 12/2021	Total at 12/2020
1. Opening balance	**672**	**892**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**220**
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	220
4. Closing balance	**672**	**672**

10.5 Changes in deferred tax assets (recognised in equity)

Tax base / Amount	Total at 12/2021	Total at 12/2020
1. Opening balance	**5,710**	**6,316**
2. Increases	**681**	**65**
2.1 Deferred tax assets recognised in the year	681	38
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*681*	*38*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	27
3. Decreases	**4,649**	**671**
3.1 Deferred tax assets derecognised in the year	7	671
a) reversals	*7*	*671*
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	4,642	-
4. Closing balance	**1,742**	**5,710**

The amount shown in point "3.3 Other decreases" refers to the deferred tax assets calculated during transition to IFRS9 which were recognised in equity at the time of recording but reclassified to profit or loss.

10.6 Changes in deferred tax liabilities (recognised in equity)

Tax base / Amount	Total at 12/2021	Total at 12/2020
1. Opening balance	**2,032**	**77**
2. Increases	**1,161**	**1,968**
2.1 Deferred tax liabilities recognised in the year	1,161	1,721
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*1,161*	*1,721*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	247
3. Decreases	**622**	**13**
3.1 Deferred tax liabilities derecognised in the year	622	13
a) reversals	*622*	*13*
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,571**	**2,032**

10.7 Other information

Caption “100a” of “Tax assets: a) current” of € 2,849 thousand comprises:

- tax relief for earthquakes of € 1,094 thousand;
- tax assets of € 6 thousand for withholdings on public bodies;
- tax assets of € 3 thousand for withholdings on deposits, current accounts and certificates of deposit;
- substitute tax on account of € 920 thousand on the capital gain;
- deferred IRES tax credit for € 734 thousand;
- IRES additional tax credit for € 91 thousand.

Section 12 - Other assets - Caption 120

12.1 Other assets: breakdown

Components	Total at 12/2021	Total at 12/2020
a) other tax assets	4,053	3,947
b) cheques drawn on other banks	361	350
c) cheques to be received from clearing house and truncated in branch	12,095	11,639
e) revenue stamps and other stamps	4	4
g) shortfalls, embezzlement, theft and other prior	4	-
h) items in transit	8,676	6,439
i) leasehold improvements	152	261
j) accrued income	1,392	436
k) prepayments	324	262
l) portfolio adjustment differences	-	-
m) other	7,435	5,564
Total	**34,496**	**28,902**

Specifically, in the above table:

- item h) includes transactions under settlement by BFF S.P.A. and Bank of Italy (€ 6,236 thousand) and items in transit to be debited to the end accounts (€ 2,440 thousand);
- item k) mostly consists of prepaid insurance premiums;
- item m) includes sundry amounts for € 28 thousand, accrued commissions of € 4,930 thousand, amounts due to suppliers of € 864 thousand, building tax credits purchased by customers based on law 34/2020 classified based on the policy approved by the board of directors on 31 March 2021 as HTC and stated in caption "120 Other assets" and equal to € 1,312 thousand.

LIABILITIES

Section 1 - Financial liabilities at fair value through profit or loss - Caption 10

1.1 Financial liabilities at amortised cost: breakdown of due to banks by product

Transaction/Amount	Total at 12/2021				Total at 12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**490,000**				**160,000**			
2. Due to banks	**483**				**26,545**			
2.1 Current accounts and on-demand deposits	407				26,466			
2.2 Term deposits	76				79			
2.3 Financing	-				-			
2.3.1 Repurchase agreements	-				-			
2.3.2 Other	-				-			
2.4 Commitments to repurchase own equity instruments	-				-			
2.5 Lease liabilities	-				-			
2.6 Other liabilities	-				-			
Total	**490,483**	**-**	**-**	**490,483**	**186,545**	**-**	**-**	**186,545**

Item 1 of the above table indicates the financing granted by the ECB as distinguished below.
-TLTRO III for € 90 million maturity 28 June 2023
-TLTRO III for € 100 million maturity 30 September 2024
-TLTRO III for € 300 million maturity 31 December 2024.

1.2 Financial liabilities at amortised cost: breakdown of due to customers by product

Transaction/Amount	Total at 12/2021				Total at 12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on-demand deposits	**2,030,610**				**1,678,126**			
2. Term deposits	**7,042**				**7,795**			
3. Financing	-				-			
3.1 Repurchase agreements	-				-			
3.2 Other	-				-			
4. Commitments to repurchase own equity instruments	-				-			
5. Lease liabilities	6,620				7,722			
6. Other liabilities	56,397				23,315			
Total	**2,100,669**	**-**	**-**	**2,103,846**	**1,716,958**	**-**	**-**	**1,721,152**

1.2.1 Lease liabilities: performance

Transaction/Amount	Lease liabilities at 12/2020	Interest expense	Fees paid for leasing	Other changes	Carrying amount at 12/2021
Total financial liabilities for leasing	7,722	-	- 1,357	255	6,620

1.2.2 Lease liabilities: time bracket

Transaction/Amount	Present value at 12/2021	Present value at 12/2020
Up to 3 months	-	-
After 3 months and up to 1 year	-	-
After 1 year and up to 5 years	899	1,062
After 5 years	5,721	6,660
Total	**6,620**	**7,722**

1.3 Financial liabilities at amortised cost: breakdown of Debt securities issued by product

Security /Amount	Total at 12/2021				Total at 12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	-	-	-	-
2. other securities	57,934	-	-	58,503	70,427	-	-	71,518
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*57,934*	-	-	*58,503*	*70,427*	-	-	*71,518*
Total	**57,934**	**-**	**-**	**58,503**	**70,427**	**-**	**-**	**71,518**

Item “2.2 - other” includes the certificates of deposit issued by the bank.

Section 2 - Financial liabilities held for trading - Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Transaction / Amount	Total at 12/2021					Total at 12/2020				
	Nominal or notional amount	Fair Value			Fair Value (*)	Nominal or notional amount	Fair Value			Fair Value (*)
		L1	L2	L3			L1	L2	L3	
A. Liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt instruments	-	-		-	-	-	-		-	-
3.1. Bonds	-	-		-	-	-	-		-	-
3.1.1 Structured	-	-	-	-		-	-	-	-	
3.1.2 Other bonds	-	-	-	-		-	-	-	-	
3.2. Other securities	-	-		-		-	-		-	
3.2.1 Structured	-	-	-	-		-	-	-	-	
3.2.2 Other	-	-	-	-		-	-	-	-	
Total A	**-**	**-**		**-**	**-**	**-**	**-**		**-**	**-**
B. Derivatives										
1. Financial derivatives		-	80	-			2	160	-	
1.1 For trading		-	*80*	-			*2*	*160*	-	
1.2 Associated with fair value option		-	-	-			-	-	-	
1.3 Other		-	-	-			-	-	-	
2. Credit derivatives		-	-	-			-	-	-	
2.1 For trading		-	-	-			-	-	-	
2.2 Associated with fair value option		-	-	-			-	-	-	
2.3 Other		-	-	-			-	-	-	
Total B		**-**	**80**	**-**			**2**	**160**	**-**	
Total (A+B)		**-**	**80**	**-**			**2**	**160**	**-**	

Section 6 - Tax liabilities - Caption 60

6.1 Current tax liabilities

Tax base / Amount	12/2021
Current tax liabilities	**7,350**
IRES	5,410
IRAP	1,423
Stamp duty	190
Additional payments on account	- 76
IRES payments on account	- 443
IRAP payments on account	- 465
Prior year tax assets	1,311

In addition to the accruals for taxes during the year, the advance payments made for this purpose were deducted as envisaged by IAS 12.

Section 8 - Other liabilities - Caption 80

8.1 Other liabilities: breakdown

Components	12/2021	12/2020
a) Tax liabilities	5,123	1,238
b) Amounts due to social security institutions	23	1,540
c) Amounts available to customers	3,067	2,557
d) Third party guarantee deposits	132	129
f) Other amounts due to employees	2,881	2,829
g) Items in transit	9,866	12,401
h) Accrued expenses	5	5
i) Deferred income	292	243
j) Portfolio adjustment differences	35,567	1,141
k) Other items	2,529	1,416
Total	**59,485**	**23,499**

Item “a) Tax liabilities” refers to tax withholdings to be paid and amounts collected on behalf of customers to be transferred to the tax authorities.
Item “k) Other items” includes: invoices due (€ 1,348 thousand), sundry items (€ 1,076 thousand) and other debit positions (€ 105 thousand).

Section 9 – Employee termination indemnities – Caption 90

9.1 Employee termination indemnities: changes

Tax base / Amount	Total at 12/2021	Total at 12/2020
A. Opening balance	**6,495**	**6,971**
B. Increases	**175**	**137**
B.1 Accruals	1	28
B.2 Other changes	174	109
C. Decreases	**760**	**613**
C.1 Payments	760	598
C.2 Other changes	-	15
D. Closing balance	**5,910**	**6,495**
Total	**5,910**	**6,495**

The actuarial losses of € 174 thousand determined by the actuary are recognised in point "B.2 Other increases". Point B.1 shows the annual interest cost, as calculated by the actuary.

9.2 Other information:

Breakdown of "B. Increases"

Description	Amounts
Interest cost	1
including: Revaluation	*1*
Actuarial loss	174
Total	**175**

Breakdown of "C. Decreases"

Description	Amounts
Decrease due to post-employment benefits reform Legislative decree no. 252/2005 / Actuarial gain	-
Post-employment advances and payments	760
Substitute tax on revaluation	-
Total	**760**

Actuarial valuation of post-employment benefits provision

Description	Amounts
Present value of benefits at 31/12/2020	6,495
Interest cost	1
Substitute tax	-
Service cost	-
Payments	- 760
Total recursive	**5,736**
Present value of benefits at 31/12/2021	5,910
Accumulated actuarial loss	***- 174***

Since 1 January 2007, Employee termination indemnities are transferred to either the INPS treasury fund or a supplementary pension fund. Therefore, the actuarial calculation considers the value of accrued benefits, i.e. the total liability for each employee. The calculation is based on demographic and economic assumptions already used at 31/12/2021. The bank eliminated the corridor approach in 2012 and recognised the actuarial loss immediately in equity, thus adopting one of the effects of the revised IAS 19 (2011) early.

For the financial assumptions, reference was made by the actuary to the:

- demographic parameters;
- economic parameters;
- financial parameters.

The demographic parameters are most directly attributable to the actuarial aspects. These parameters are usually included in tables created from general samples from various institutes (e.g. ISTAT (the Italian National Institute of Statistics), INAIL, etc.) and by using the assumptions of a reduction in users based on the probability of death and invalidity.

The economic parameters concern the assumptions made on the changes in values with a direct economic connotation. In relation to the rate of inflation, an essential value for determining the remeasurement dynamics of performance in the years following the measurement, reference has been made to the December 2021 Eurosystem staff projections for the euro area (source: ECB) and a rate of 2% has been used as a reference value. The legal revaluation of the Employee termination indemnities is based on a mechanism that requires recognition of an annual capitalisation rate of 75% of the growth rate of the prices plus 1.5 percentage points. Given the scenario used in relation to this parameter, the measurement provides for a gross revaluation of the Employee termination indemnities corresponding to 3%.

The financial, and most significant, parameter is given from the rate used in the discounting of cash outflows and, therefore, in determining the average present value of the obligations. Through discounting, future commitments are all reported at the measurement date. The curve of Corporate Euro securities with AA rating (source: Refinitiv) reported at 31/12/2021 was used in the model, as shown by the following table:

YEAR	*EUR AA CORPORATE CURVE YIELD TABLE*	*YEAR*	*EUR AA CORPORATE CURVE YIELD TABLE*
1	-0.3920%	16	0.9954%
2	-0.1710%	17	0.9988%
3	-0.0120%	18	1.0022%
4	0.1410%	19	1.0056%
5	0.2630%	20	1.0090%
6	0.3300%	21	1.0140%
7	0.3670%	22	1.0190%
8	0.4080%	23	1.0240%
9	0.4760%	24	1.0290%
10	0.5710%	25	1.0340%
11	0.6552%	26	1.0680%
12	0.7394%	27	1.1020%
13	0.8236%	28	1.1360%
14	0.9078%	29	1.1700%
15	0.9920%	30	1.2040%

On the basis of the above assumptions, the bank recognised the actuarial loss of € 174 thousand in other comprehensive income.

Section 10 - Provisions for risks and charges - Caption 100

10.1 Provisions for risks and charges: breakdown

Tax base / Amount	Total at 12/2021	Total at 12/2020
1. Provisions for credit risk associated with loan commitments and financial guarantees given	111	113
2. Provisions for other commitments and other guarantees given	-	-
3. Internal pension funds	7,017	7,372
4. Other provisions	3,027	2,851
4.1 legal and tax disputes	-	-
4.2 personnel expense	-	-
4.3 other	*3,027*	*2,851*
Total	**10,155**	**10,336**

10.2 Provisions for risks and charges: changes

Tax base / Amount	Provisions for other commitments and other guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**113**	**7,372**	**2,851**	**10,336**
B. Increases	**-**	**165**	**988**	**1,153**
B.1 Accruals	-	32	988	1,020
B.2 Discounting	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other changes	-	133	-	133
C. Decreases	**2**	**520**	**812**	**1,334**
C.1 Utilisations	-	520	812	1,332
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other changes	2	-	-	2
D. Closing balance	**111**	**7,017**	**3,027**	**10,155**

other provisions for risks and chargesof € 3,027 thousand, shown in table 10.2, may be analysed as follows by type of litigation:

- Civil litigation	1,248,868
- Claw-back claims	698,319
- Other charges	40,000
- Labour disputes	627,000
- Other disputes	413,100
Total	**3.027.287**

As can be seen, the larger accruals are made for civil litigation, partly related to third party claims about the charging of compound interest or interest exceeding the legal rate.
Risks for ongoing proceedings about securities trading are modest, also given the:
1) limited number of legal actions: one at 31/12/2021;
2) generally modest amounts involved;

3) rulings at all levels in the bank's favour.
The accrual for claw-back claims refers to 7 customers under bankruptcy proceedings for which the court ruling had not been handed down at the reporting date.
Just one dispute involves two employees due to a claim forms received by the bank for the repayment of grants for training to INPS. The case, following a second level judgement in favour of the bank, has been reinstated by the plaintiffs.

The bank has considered the typical risks of the banking sector and a prudent interpretation of the reference regulations when measuring and determining the various provisions.

It regularly reviews contingent liabilities for which specific provisions have not been made and which are treated like the recognised liabilities. These relate to obligations that are possible only or present obligations for which:

a. a. it is not certain whether an outflow of resources will be necessary;

b. b. the amount cannot be determined.

The case in point b is infrequent and relates to just one instance.

Conversely, the case in point a. is more frequent and the probability that an outflow of resources will be necessary depends on events that suggest that the probability of a negative outcome is very unlikely or impossible.

Specifically, it includes legal disputes existing at the reporting date, for which a negative outcome is improbable based on:

(i) the legal advisors' opinion;

(ii) rulings in the bank's favour by earlier court hearings.

Based on the probability of contingent or actual liabilities presented in the 2021 financial statements, the situation is as follows:

Type of risk	Contingent liability		Bonds	
	Petitum	*Accrual*	*Petitum*	*Accrual*
Legal disputes	2,992,877	0	43,464,033	1,248,868
Claw-back claims	0	0	2,562,262	698,319
Labour disputes	0	0	627,000	627,000
Other charges	0	0	1,378,983	453,100
Total	**2.992.877**	**0**	**48.032.281**	**3,027,287**

Contingent liabilities for legal disputes refer to the following categories:

a) repudiation of false drawers' signatures on credit instruments;

b) compound interest or interest exceeding the legal rate;

c) other claims for damage compensation.

The amount of € 2,993 thousand refers to 6 claims for compensation for issue of guarantees deemed excessive by the counterparty or claims pertaining to alleged violations when filing for bankruptcy.

As regards the petitum related to bonds for € 43,464 thousand, note that 16 claims refer to compound interest, for € 40,956 thousand, for which the accrued amount is € 633 thousand. Only one position is of a significant amount and has a first level judgement in favour of the bank.

10.3. Provisions for credit risk associated with commitments and guarantees granted

Tax base / Amount	Provisions for credit risk associated with loan commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total
Loan commitments	27	3	-	-	30
Financial guarantees given	25	7	49	-	81
Total	**52**	**10**	**49**	**-**	**111**

10.5 Defined benefit internal pension plans

The bank's pension fund ("*Fondo d'integrazione delle pensioni dell'assicurazione obbligatorio per l'invalidità, la vecchiaia ed i superstiti gestita dall'INPS per il Personale - ruolo credito - della Cassa di Risparmio di Fermo*"), included in the special section III as number 9107 of the Pension funds register held by COVIP (the Italian pension regulator) and recognised in caption 100. b) on the liabilities side of the statement of financial position, is regulated by the Agreement of 4 December 1990, Legislative decree no. 124/93, the new legislative framework as defined by Law no. 335 of 8 August 1995 and the measure attached to the 1998 Finance Act (Law no. 449/1997) as well as the agreement of 18 October 2000 for the fund's transformation by setting up a defined contribution part from 1 January 2001.

The fund's object is to provide its beneficiaries and their surviving family members with a supplementary pension in addition to that provided by INPS.

Following the aforesaid transformation agreement, the fund covers the bank's employees that had retired at 31 December 2100 or their surviving family members. The bank pays in a contribution in order to ensure its actuarial balance.

At 31/12/2021, the fund had 104 beneficiaries, including those with zero annuities as shown in the following table:

Gender	Direct	Indirect or reversible	Total
Women	6	51	**57**
Men	46	1	**47**
Total	**52**	**52**	**104**

The actuarial calculations were based on a projection of the individual beneficiaries' positions at 31 December 2021. This projection was extended until the complete extinguishment of the obligations considering a hypothetical system based on:

1. legislative parameters;
2. demographic parameters;
3. economic parameters;
4. financial parameters.

The generation RG 48 chart prepared by the State General Accounting Office was used for the demographic parameters while the estimates usually used for INPS simulations were used for the family beneficiaries.

An annual increase in prices of 2% over the long term was assumed for the economic parameters. The effects of the provision contained in law no.45 of 30/12/2018 were also estimated, though given the transitory nature of the measure, as of 2022 the revaluation will nevertheless be estimated in line with the general provision under article 34, paragraph 1 of Law no. 448 of 23 December 1998 which provides for the following recognition rates for annual price changes:

BRACKET	RATE
Up to 3 times the minimum treatment	100%
From 3 to 5 times the minimum treatment	90%
More than 5 times the minimum treatment	75%

With respect to the financial parameters, in compliance with IAS provisions, an update was made to the returns structure of the curve of the Corporate Euro securities with AA rating (source: Refinitiv) reported at 31 December 2021.

The average present value appraised by the relevant expert of the cost of integrating and substituting the pension plan for the 104 beneficiaries is in line with the amount recognised in the financial statements.

Technical accounts at 31/12/2021	
Average present value - immediate	7,017
Average present value - total charges	7,017
Mathematical reserve at 31/12/2020	7,372
Equity at 31/12/2021	6,909
Mathematical provision	7,017
TECHNICAL DEFICIT	**107**
Calculation of actuarial gains/losses for IFRS purposes	
Mathematical provision at 31 December 2020	7,372
Interest cost	32
Service cost	0
Payments	-520
Accumulated net actuarial gain at 31/12/2021	**133**

The bank has replaced the corridor approach with the immediate recognition of actuarial gains or losses in other comprehensive income. The interest cost recognised in profit or loss amounted to € 32 thousand and the actuarial loss to € 133 thousand, recognised in other comprehensive income.

Section 12 – Equity – Captions 110, 130, 140, 150, 160, 170 and 180

12.1 Share capital and treasury shares: breakdown

Component	Amount
Share capital	39,241
Total	**39,241**

The fully subscribed and paid-in share capital consists of 759,750 shares with a nominal amount of €51.65 for a total €39,241,087.50.

The bank's shareholders are:

- Fondazione Cassa di Risparmio di Fermo, with 506,500 ordinary shares equal to an investment of 66.67%;
- Intesa Sanpaolo S.p.A., with 253,250 ordinary shares equal to an investment of 33.33%.

The caption did not undergo any change during the year.

12.2 Share capital - number of shares: changes

Tax base / Types	Ordinary	Other
A. Opening balance	**759,750**	**-**
- fully paid-in	*759,750*	-
- not fully paid-in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**759,750**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against consideration:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellations	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Disposals of equity investments	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**759,750**	**-**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	759,750	-
- fully paid-in	*759,750*	-
- not fully paid-in	-	-

12.4 Income-related reserves: other information

Tax base	LEGAL RESERVE	STATUTORY RESERVE	OTHER
OPENING BALANCE	**19,603**	**61,354**	**- 7,135**
INCREASES	**463**	**3,106**	**-**
Allocation of profits	463	3,106	-
DECREASES	**-**	**-**	**-**
Other changes (FTA reserve)	-	-	-
CLOSING BALANCE	**20,066**	**64,460**	**- 7,135**

The legal reserve was increased by the allocation of 10% of the profit for the year as provided for by article 24 of the by-laws, regardless of the legal requirements for it to be equal to one fifth of the bank's share capital as required by article 2430 of the Italian Civil Code.

It exceeds one fifth of the bank's share capital by € 12,218 thousand.

The statutory reserve includes:

- 15% of the profit for the year as provided for by article 24 of the by-laws;
- reclassification of the income-related reserves for €15,200 thousand as determined during IFRS FTA of 1 January 2005.

The other reserves comprise:

- the contribution reserve pursuant to Law 218/90 for € 6,130 thousand;
- FTA reserve of -€2,860 thousand;
- IFRS 9 FTA reserve of 1 January 2018 of -€10,405 thousand.

12.4.1 Equity: breakdown, availability and distributability of the different captions

Nature/description	Amount	Possible use (1)	Available portion	Summary of use	
				To cover losses	For other purposes
Share capital	39,241,087.50				
Equity-related reserves:					
Contribution reserve	6,129,826.94	A,B,C	6,129,826.94		
Revaluation reserve	15,121,767.94	A,B,C	15,121,767.94		
Share premium (3)	34,660,068.07	A,B,C	34,660,068.07		
Income-related reserves:					
Legal reserve	20,066,007.72	B	12,217,790.22		
Statutory reserve	64,460,064.43	B	-		
Other reserves:					
FTA reserve (IAS/IFRS adoption)	- 13,265,284.23		-		
Fair value reserve (HTCS securities)	3,357,819.04		-		
Actuarial reserve	- 2,959,678.71		-		
Retained earnings	-		-		
Total	**166,811,678.70**		**68,129,453.17**	**-**	**-**
Undistributable portion (4)			283,287.09		
Remaining distributable portion			67,846,166.08		

in Euros

Key:
A = share capital increase
B = to cover losses
C = dividend distribution
Note:

(1) = Except for additional constraints imposed by by-laws

(2) = Utilisations are shown from 2000 as comparative previous years' data are unavailable

(3) = Pursuant to article 2431 of the Italian Civil Code, the entire reserve can only be distributed when the legal reserve has reached the threshold set by article 2430 of the Italian Civil Code.

(4) = The portion that cannot be distributed due to: the translation reserve, the reserve for equity-accounted investees, the reserve for departures as per article 2413.4 of the Italian Civil Code and the part allocated to cover unamortised deferred costs as per article 2426.5 of the Italian Civil Code.

12.4.2 Proposed allocation of the profit for the year

Profit distribution plan

PROFIT FOR THE YEAR			**15,023,164**
Reserves as per article 6 of Legislative decree no. 38/2005:			
fair value gains recognised in profit or loss (to be recognised in the relevant reserve)			-
other			-
Unavailable profits			-
DISTRIBUTABLE PROFIT FOR THE YEAR			**15,023,164.00**
10% to the legal reserve			**1,502,316.00**
15% to the statutory reserve			**2,253,475.00**
- **Shareholder remuneration:** dividend per share	**8.000**		
- Shares held by Banca Intesa S.p.A.	*253,250.00*	*2,026,000.00*	
- Shares: held by Fondazione Cassa di Risparmio di Fermo	*506,500.00*	*4,052,000.00*	
Dividends to be distributed			**6,078,000.00**
Remainder to the statutory reserve			**5,189,373.00**
Summary of allocation			
To the legal reserve		1,502,316.00	
To the statutory reserve		7,442,848.00	
Total increase in equity			**8,945,164.00**
Dividends			**6,078,000.00**
TOTAL DISTRIBUTABLE PROFIT			**15,023,164.00**

The profit for the year to be allocated amounts to € 15,023,164

Pursuant to the relevant laws and article 25 of the by-laws, we propose it be allocated as follows:

- to the shareholders as a unit dividend of € 8;
- 10% to the legal reserve, i.e., € 1,502,316;
- € 2,253,475 to the statutory reserve;
- the remaining € 5,189,373 also to the statutory reserve.

After the allocation set out above pursuant to article 25 of the by-laws, the legal reserve, which amounted to € 20,066,008 at 31 December 2021, will amount to € 21,568,324 exceeding one fifth of the share capital as per article 2430 of the Italian Civil Code by € 13,720,106.

OTHER INFORMATION

1. commitments and guarantees granted other than those at fair value

Transactions	Nominal amount on commitments and financial guarantees given				Amount at 12/2021	Amount at 12/2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
Loan commitments	**557,821**	**22,438**	**3,585**	**-**	**583,844**	**563,945**
a)Central banks	-	-	-	-	-	-
b)Public administrations	54,145	-	-	-	54,145	45,209
c)Banks	-	-	-	-	-	7,332
d)Other financial companies	6,174	111	-	-	6,285	6,597
e)Non-financial companies	444,407	14,262	3,363	-	462,032	436,525
f)Households	53,095	8,065	222	-	61,382	68,282
Financial guarantees given	**23,450**	**1,987**	**245**	**-**	**25,682**	**21,339**
a)Central banks	-	-	-	-	-	-
b)Public administrations	33	-	-	-	33	21
c)Banks	4,860	-	-	-	4,860	4,551
d)Other financial companies	4,497	218	-	-	4,715	3,102
e)Non-financial companies	12,042	1,214	245	-	13,501	11,647
f)Households	2,018	555	-	-	2,573	2,018

2. Other commitments and other guarantees given

There are no transactions of this kind in the bank’s operations.

3. Assets pledged as guarantee for liabilities and commitments

Portfolios	Amount at 12/2021	Amount at 12/2020
1. Financial assets at fair value through profit or loss	570	570
2. Financial assets at fair value through other comprehensive income	387,681	-
3. Financial assets at amortised cost	140,541	228,240
4. Property, equipment and investment property	-	-
including: held as inventories	-	-

Table 3 shows the securities pledged as guarantee for the bank’s liabilities:

- transactions tied to payment of pensions by INPS for €10 thousand;
- transactions tied to the ECB’s monetary policies for € 528,222 thousand.

4. Management and trading on behalf of third parties

Service	Amount
1. Execution of customer orders	**-**
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Asset management	**-**
a) individual	-
b) collective	-
3. Securities custody and administration	**2,454,277**
a) third party securities held as part of depository bank services (excluding asset management)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) third party securities on deposit (excluding asset management): other	583,953
1. securities issued by the reporting entity	*26,161*
2. other securities	*557,792*
c) party securities deposited with third parties	557,455
d) securities owned by the bank deposited with third parties	1,312,869
4. Other	**-**

PART C
Notes to the income statement

Section 1 – Interest – Captions 10 and 20

1.1 Interest and similar income: breakdown

Tax base / Products	Debt instruments	Financing	Other	Total at 12/2021	Total at 12/2020
1. Financial assets at fair value through profit or loss:	1,636	-	-	1,636	1,739
1.1 Financial assets held for trading	1,636	-	-	1,636	1,739
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	4,640	-		4,640	1,641
3. Financial assets at amortised cost	3,420	25,944		29,364	29,993
3.1 Loans and receivables with banks	-	1,264		1,264	520
3.2 Loans and receivables with customers	3,420	24,680		28,100	29,473
4. Hedging derivatives			-	-	-
5. Other assets			-	-	-
6. Financial liabilities				-	-
Total	**9,696**	**25,944**	**-**	**35,640**	**33,373**
- including: interest income on credit-impaired exposures	-	2,677	-	2,677	3,373
- including: interest income on finance leases		-		-	-

a) Interest accrued since the start of the year on the following credit-impaired exposures, which, at the reporting date, are unlikely to pay or are past due/overdrawn by more than 90 days:

1. Unlikely to pay (€ 1,825 thousand);
2. Past due/overdrawn by more than 90 days (€ 31 thousand).

b) Interest income accrued on NPL due to the passage of time, included in item 3.2 of the above table, totals € 2,123 thousand.
c) Interest accrued on the PELTRO and TLTRO-III ECB financing totalled € 1,212 thousand and is included in item 3.1. column 2 “financing” of the above table.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

Tax base / Amount	Total at 12/2021	Total at 12/2020
1.3.1 Interest income on foreign currency financial assets	422	524

1.3 Interest and similar expense: breakdown

Tax base / Products	Financial liabilities	Securities	Other	Total at 12/2021	Total at 12/2020
1. Financial liabilities at amortised cost	- 1,731	- 561	-	- 2,292	- 2,198
1.1 Due to central banks	-		-	-	-
1.2 Due to banks	*- 55*		-	*- 55*	*- 38*
1.3 Due to customers	*- 1,676*		-	*- 1,676*	*- 1,576*
1.4 Securities issued		*- 561*	-	*- 561*	*- 584*
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions			-	-	-
5. Hedging derivatives			-		-
6. Financial assets				- 123	- 14
Total	**- 1,731**	**- 561**	**-**	**- 2,415**	**- 2,212**
including: interest expense related to lease liabilities	-			-	-

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Tax base / Amount	Total at 12/2021	Total at 12/2020
1.4.1 Interest expense on foreign currency liabilities	- 7	- 8

Section 2 – Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

Service / Amount	Total at 12/2021	Total at 12/2020
a) Financial instruments	**5,515**	**4,909**
1. Securities placement	4,942	4,367
1.1 With underwriting commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	*4,942*	*4,367*
2. Order collection and transmission and execution of customer orders	573	542
2.1 Order collection and transmission for one or more financial instruments	*451*	*416*
2.2 Execution of customer orders	*122*	126
3. Other fees and commissions associated with activities linked to financial instruments	-	-
including: negotiation on own behalf	-	-
including: individual asset management	-	-
b) Corporate Finance	**-**	**-**
1. Consultancy on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees and commissions associated with corporate finance services	-	-
c) Consultancy services concerning investments	**-**	**-**
d) Compensation and regulation	**-**	**-**
e) Custody and administration	**80**	**77**
1. Depository bank	-	-
2. Other fees and commissions linked to custody and administration	80	77
f) Central administrative services for collective asset management	**-**	**-**
g) Fiduciary activities	**-**	**-**
h) Payment services	**14,327**	**14,032**
1. Current accounts	10,023	9,906
2. Credit cards	-	-
3. Debit cards and other payment cards	346	334
4. Transfers and other payment orders	1,188	1,080
5. Other fees and commissions linked to payment services	2,770	2,712
i) Distribution of third party services	**5,264**	**4,212**
1. Collective asset management	156	120
2. Insurance products	2,877	2,409
3. Other products	2,231	1,683
including: individual asset management	*179*	*129*
j) Structured finance	**-**	**-**
k) Servicing activities for securitisations	**-**	**-**
l) Loan commitments	**-**	**-**
m) Financial guarantees given	**252**	**242**
including: credit derivatives	-	-
n) Financing operations	**1,387**	**1,156**
including: for factoring transactions	-	-
o) Foreign currency transactions	**68**	**66**
p) Commodities	**-**	**-**
q) Other fee and commission income	**187**	**170**
including: for management of multilateral exchange systems	-	-
including: for management of organised trading systems	-	-
Total	**27,080**	**24,864**

The balance shown as letter "q) Other fee and commission income" in the above table includes:[2]
Fees and commissions for certification requests € 63 thousand
Fees and commissions for recovery of cash retail costs € 98 thousand

[2] Amount (€'000)

2.2 Fee and commission income: product and service distribution channels

Channel / Amount	Total at 12/2021	Total at 12/2020
a) own branches:	**10,206**	**8,579**
1. asset management	-	-
2. securities placement	4,942	4,367
3. third party services and products	5,264	4,212
b) off-premises distribution:	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-
c) other distribution channels:	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

Service / Amount	Total at 12/2021	Total at 12/2020
a) Financial instruments	**- 453**	**- 403**
including: trading in financial instruments	- 170	- 211
including: placement of financial instruments	-	-
including: individual asset management	- 283	- 192
- Own portfolio	*-*	*-*
- Third party portfolios	*- 283*	*- 192*
b) Compensation and regulation	**-**	**-**
c) Custody and administration	**- 59**	**- 52**
d) Collection and payment services	**- 1,410**	**- 1,279**
including: credit cards, debit cards and other payment cards	- 154	- 152
e) Servicing activities for securitisations	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**-**	**- 5**
including: credit derivatives	-	-
h) Off-premises distribution of securities, products and services	**-**	**-**
i) Foreign currency transactions	**-**	**-**
j) Other fee and commission expense	**- 64**	**- 90**
Total	- 1,986	- 1,829

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Tax base / Income	Total at 12/2021		Total at 12/2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	41	-	-	329
B. Other financial assets mandatorily measured at fair value	-	35	-	-
C. Financial assets at fair value through other comprehensive income	862	-	953	-
D. Equity investments	-	-	-	-
Total	**903**	**35**	**953**	**329**

Section 4 –Net income from trading activities - Caption 80

4.1 Net trading income: breakdown

Tax base / Income	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Profit for the year [(A+B) – (C+D)]
1. Financial assets held for trading	**904**	**1,890**	**1,554**	**794**	**446**
1.1 Debt instruments	69	836	1,299	296	- 690
1.2 Equity instruments	723	993	255	498	963
1.3 OEIC units	112	61	-	-	173
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt instruments	-	-	-	-	-
2.2 Liabilities	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains					**588**
4. Derivatives	**5,115**	**-**	**4,014**	**-**	**1,101**
4.1 Financial derivatives:	5,115	-	4,014	-	1,101
- On debt securities and interest rates	5,115	-	4,014	-	1,101
- On equity instruments and equity indexes	-	-	-	-	-
- On currencies and gold					-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
including: natural hedges associated with the fair value option					-
Total	**6,019**	**1,890**	**5,568**	**794**	**2,135**

EXPENSES AND LOSSES:			REVENUE AND PROFITS:		
Tax base	2021	2020	Tax base	2021	2020
A) Opening balance in foreign currency	962	1,287	E) Revenue from currency	151,263	127,154
B) Cost of purchasing currency	151,801	127,013	F) Closing balance	1,293	962
D) Total costs	**152,763**	**128,300**	**H) Total revenue**	**152,556**	**128,116**

SUMMARY:		
	2021	2020
(+) Total revenue	*152,556*	*128,116*
(-) Total costs	*- 152,763*	*- 128,300*
(+) Currency fees	*52*	*50*
(-) Losses (+) gains on currencies	*42*	*97*
(-) Impairment losses (+) gains on Securities	*701*	*- 581*
(-) Impairment losses (+) gains on Currencies	*-*	*-*
Profit from currency valuation	*588*	*- 618*

Section 6 - Gain (loss) from sales/repurchases - Caption 100

6.1 Gain (loss) from sales/repurchases: breakdown

Tax base / Income statement item	Total at 12/2021			Total at 12/2020		
	Gains	Losses	Net gain	Gains	Losses	Net gain
Financial assets						
1. Financial assets at amortised cost	6,767	- 4,969	1,798	5,268	-	5,268
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	*6,767*	*- 4,969*	*1,798*	*5,268*	*-*	*5,268*
2. Financial assets at fair value through other comprehensive income	10,843	- 217	10,626	11,860	- 1,641	10,219
2.1 Debt instruments	*10,843*	*- 217*	*10,626*	*11,860*	*- 1,641*	*10,219*
2.2 Financing	-	-	-	-	-	-
Total assets	**17,610**	**- 5,186**	**12,424**	**17,128**	**- 1,641**	**15,487**
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Item "1.2" Loans to customers, column 3, includes the profit made from the sale of securities included in the HTC portfolio, for € 6,275 thousand. As indicated in the directors' report, investments made as part of the HTC portfolio mainly targeting the coupon flow were nearly entirely represented by Italian government bonds. The opportunities found on the markets as a result of Italy's changing economic and political situation, as well as signs of an upturn in market rates in the first half of 2021, led the bank to sell securities from the HTC portfolio for a total nominal amount of € 148 million, making total gains of € 6,275 thousand. The securities sold were replaced with Italian government bonds in line with the business model's objective to support net interest income. The sales were carried out in full compliance with IFRS 9 and the bank's policy for financial risk. During the year, two transfers without recourse were made of 2 UTP exposures for which the bank received shares in the "Efesto" fund (AIF). The two sales generated a loss of € 3,542 thousand and gains of € 402 thousand. Another transfer without recourse was carried out of a bad exposure which generated a gain of € 90 thousand plus a fee of € 138 thousand. In December, the bank joined the multi-originator securitisation operation with GACS, named Buonconsiglio 4, which involved the sale of bad exposures for € 25.7 million at the final actual price of € 8,629 thousand. The operation generated a total loss including the fee for € 1,288 thousand. Full disclosure of the operation is shown in part E of the notes to the financial statements

Section 7 - Net gains (losses) on financial assets and liabilities at fair value through profit or loss - Caption 110

7.2 Net gains (losses) on other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transaction / Income statement item	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Profit for the year [(A+B) − (C+D)]
1. Financial assets	**-**	**-**	**556**	**-**	**-556**
1.1 Debt instruments	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	556	-	-556
1.4 Financing	-	-	-	-	-
2. Foreign currency financial assets: Exchange gains (losses)					**-**
Total	**-**	**-**	**556**	**-**	**-556**

The amount shown in the above table refers to the impairment of the shares of Fondo Efesto (AIF) acquired following the sale of 2 UTP exposures.

Section 8 – Net impairment gains (losses) for credit risk - Caption 130

8.1 Net impairment losses for credit risk related to financial assets at amortised cost: breakdown

Transaction / Income statement item	Impairment losses (1)						Impairment gains (2)				Total at 12/2021	Total at 12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans and receivables with banks	**-85**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-85**	**-6**
- Financing	-85	-	-	-	-	-	-	-	-	-	-85	-6
- Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	**-78**	**-1,174**	**-2,906**	**-9,401**	**-**	**-**	**262**	**-**	**7,814**	**-**	**-5,483**	**-21,908**
- Financing	-	-1,174	-2,906	-9,401	-	-	262	-	7,814	-	-5,405	-21,940
- Debt instruments	-78	-	-	-	-	-	-	-	-	-	-78	32
C. Total	**-163**	**-1,174**	**-2,906**	**-9,401**	**-**	**-**	**262**	**-**	**7,814**	**-**	**-5,568**	**-21,914**

8.1a Net impairment losses for credit risk relating to financing at amortised cost subject to COVID-19 support measures: breakdown

Transaction / Income statement item	Net impairment losses						Total at 12/2021	Total at 12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired			
			Write-offs	Other	Write-offs	Other		
1. Financing subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	3,789
2. Financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-251	207	-	108	-	-	64	-
3. Financing subject to other forbearance measures	-	30	-	32	-	-	62	-11
4. New financing	416	536	-	32	-	-	984	1,695
Total	**165**	**773**	**-**	**172**	**-**	**-**	**1,110**	**5,473**

8.2 Net impairment losses for credit risk related to financial assets at fair value through other comprehensive income: breakdown

Transaction / Income statement item	Impairment losses (1)						Impairment gains (2)				Total at 12/2021	Total at 12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt instruments	-154	-	-	-	-	-	-	-	-	-	-154	-128
B. Financing	-	-	-	-	-	-	-	-	-	-	-	-
- With customers	-	-	-	-	-	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	-154	-	-	-	-	-	-	-	-	-	-154	-128

Section 9 – Modification gains/losses - Caption 140

9.1 Modification gains/losses: breakdown

Tax base / Amount	Total at 12/2021	Total at 12/2020
9.1 Modification gains/losses: breakdown	-224	-407

Section 10 - Administrative expenses – Caption 160

10.1 Personnel expense: breakdown

Expense / Amount	Total at 12/2021	Total at 12/2020
1) Employees	**- 25,133**	**- 24,918**
a) wages and salaries	- 17,779	- 17,583
b) social security contributions	- 4,729	- 4,673
c) post-employment benefits	- 1,015	- 1,011
d) pension costs	-	-
e) accrual for post-employment benefits	- 1	- 27
f) accrual for pension and similar provisions:	- 32	- 68
- defined contribution	-	-
- defined benefit plans	*- 32*	*- 68*
g) payments to external supplementary pension funds	- 593	- 597
- defined contribution	*- 593*	*- 597*
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	- 984	- 959
2) Other personnel	**-**	**-**
3) Directors and statutory auditors	**- 540**	**- 523**
4) Retired personnel	**-**	**-**
5) Cost recoveries for personnel seconded to other companies	**-**	**-**
6) Cost reimbursements for personnel seconded to the bank	**-**	**-**
Total	**- 25,673**	**- 25,441**

Item 3 of the table includes the statutory auditors' fees and the directors' insurance policies. According to Law no. 124 of 4 August 2017, known as the "law for market and competition", which introduced the policy on "subsidies, contributions, remunerated engagements and economic rewards of any kind" received from public administrations, the bank did receive this kind of contribution, which was recognised in caption "1) -b social security contributions". The following table analytically lists the financial incentives received:

N.	Contributing entity	Contribution received in euro	Reason
1	INPS	687.69	law no. 92/2012 women unemployed over 24 months
2	INPS	93,801.39	law no. 205/2017 recruitment of young people
3	INPS	9,000.00	law no. 87/2018 - 160/2019 dignity decree
4	INPS	23,405.90	Decree law no. 151/2015 art. 10 disabled people
5	INPS	853.13	NASpI recipients law no. 92/2012 art. 2 subsection 15 decree law no. 76/2013
6	INPS	1,883.01	Southern Bonus
Total economic benefits received		**129,631.12**	

10.1.1 Wages and salaries: bonuses

Expense / Amount	Total at 12/2021	Total at 12/2020
a) wages and salaries	- 17,779	- 17,583
- including: bonuses	*- 1,177*	*- 1,159*

10.2 Average number of employees per category

Breakdown	2021 peak value	2021 average	2020 peak value
• Employees	**353**	**338**	**351**
a) managers	2	2	2
b) junior managers	93	95	97
- including: 3rd and 4th level	*49*	*48*	*47*
c) other employees (including cleaning staff)	258	241	252
- including: 3rd professional group	*257*	*240*	*251*
- including: 2nd professional group	*1*	*1*	*1*
- including: cleaning staff	-	-	-
• Other personnel	**10**	**10**	**10**

The average was determined considering the part-time personnel for 50%.

10.3 Internal defined benefit pension plans: costs and revenue

Expense/Amount	12/2021	12/2020
Remuneration on supplementary pension fund - interest cost	32	- 68

10.4 Other employee benefits

Expense/Amount	12/2021	12/2020
Other employee benefits	- 984	- 959

This caption mainly comprises training costs of € 128 thousand, life, accident and health insurance policies of € 341 thousand, lunch vouchers of € 447 thousand and other employee benefit payments of € 51 thousand.

10.5 Other administrative expenses: breakdown

Components	12/2021	12/2020
1 - credit collection legal fees	- 1,709	- 1,056
2 - sundry and technical legal consultancy	- 1,268	- 833
3 - maintenance, repairs, conversions	- 993	- 1,449
4 - cleaning services	- 586	- 654
5 - rental of machinery and data transmission lines	- 1,148	- 1,126
6 - security and security transportation	- 476	- 522
7 - lighting and heating	- 464	- 453
8 - stationery and printed matter	- 156	- 143
9 - postal, telegraph, telex, telephone	- 284	- 293
10 - insurance	- 324	- 313
11 - advertising	- 239	- 290
12 - subscriptions and purchases of publications	- 90	- 95
13 - third party service costs	- 4,729	- 4,396
14 - transportation and relocation	- 167	- 204
15 - membership fees	- 247	- 223
16 - contribution to the National Resolution Fund and the Interbank Guarantee Deposit Fund	- 2,150	- 1,690
17 - car leases	- 25	- 31
18 - information and Chamber of Commerce business register file searches	- 450	- 511
19 - other	- 216	- 225
Subtotal of other administrative expenses	**- 15,721**	**- 14,507**
Indirect taxes and duties		
1 - stamp duty	- 3,640	- 3,450
2 - own municipal tax	- 380	- 371
3 - other	- 581	- 617
Total indirect taxes and duties	**- 4,601**	**- 4,438**
Total other administrative expenses	**- 20,322**	**- 18,945**

“Maintenance, repair and conversions” relate to work performed to make the buildings usable. Therefore, they have been expensed. Legal fees include lawyer fees for the completion of the loans transferred with the Buonconsiglio 4 securitisation.

Item 16 “Contribution to the National Resolution Fund and the Interbank Guarantee Deposit Fund” shows the contributions paid to the Single Resolution Mechanism for € 344 thousand, the advance contributions paid to the Interbank Guarantee Deposit Fund for € 1,693 thousand and the reference to the extraordinary contributions paid to the national fund for € 112 thousand.

The contractual amounts paid in 2021 to the independent auditors, net of expenses and VAT and the contribution to the supervisory authority, are as follows:

Service	Service provider	Fees
Statutory audit	Deloitte & Touche S.p.A.	63,000
Attestation service	Deloitte & Touche S.p.A.	70,000
Other services	Deloitte & Touche S.p.A.	3,000
TOTAL		**136,000**

Section 11 - Net accruals to provisions for risks and charges - Caption 170

11.1 Net accruals for credit risk associated with commitments and guarantees granted

Tax base / Amount	12/2021
Loan commitments:	**-**
- commitments for endorsement credits	-
- other commitments	-
Financial guarantees given:	**3**
- guarantees given	3
- other guarantees given	-
Total	**3**

11.3 Net accruals to other provisions for risks and charges: breakdown

Tax base / Amount	12/2021
1 - accrual for legal disputes	- 278
2 - accrual for claw-back claims	- 325
3 - other	- 385
Total accruals	**- 988**
4 - utilisation to settle claw-back claims	812
Total utilisations	**812**
Total net accruals at 31/12/2021	**- 176**

Section 12 - Depreciation and net impairment losses on property, equipment and investment property - Caption 180

12.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Asset/Income statement item	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Profit for the year (a + b – c)
A. Property, equipment and investment property				
1. Used for operations	- 2,468	-	-	- 2,468
- owned	*- 1,228*	-	-	*- 1,228*
- rights of use acquired with leases	*- 1,240*	-	-	*- 1,240*
2. Investment	- 18	-	-	- 18
- owned	*- 18*	-	-	*- 18*
- rights of use acquired with leases	-	-	-	-
3. Inventories		-	-	-
Total	**- 2,486**	**-**	**-**	**- 2,486**

Section 13 - Amortisation and net impairment losses on intangible assets - Caption 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

Asset / Income statement item	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Profit for the year (a + b – c)
A. Intangible assets				
including: software	-	-	-	-
A.1 Owned	- 70	-	-	- 70
- Generated internally	-	-	-	-
- Other	*- 70*	-	-	*- 70*
A.2 Rights of use acquired with leases	-	-	-	-
Total	**- 70**	**-**	**-**	**- 70**

Section 14 - other net provisions, net - Caption 200

14.1 Other operating expense: breakdown

Tax base / Amount		12/2021
1 - Charitable donations	-	9
2 - Contributions to bodies and municipalities receiving treasury services		-
3 - Amortisation of leasehold improvements	-	166
4 - Losses for robberies	-	1
5 - Other	-	642
Total other operating expense	**-**	**818**

Item "5 – Other" includes € 96 thousand related to payments to settle expenses and interest accrued in 2020, € 26 thousand for higher repayments on banking services and € 330 thousand for settlement agreements on civil litigation for interest exceeding the legal rate. Use of the risk provision related to settlement agreements was restated to caption 170 of the profit or loss.

14.2 other net provisions: breakdown

Tax base / Amount	12/2021
1 - Recoveries of administrative expenses	4,972
2 - Security box fees	75
3 - Lease income	443
4 - Other income	551
Total other operating income	**6,041**
Total caption 200	**5,223**

Caption "1 - Recoveries of administrative expenses" includes:

- recoveries of indirect taxes (stamp duty, substitute tax on medium- and long-term financing, registration fees) for € 4,098 thousand;
- recoveries of legal fees for € 632 thousand;
- fast credit processing fees for € 104 thousand;
- recoveries of postal, insurance and telephone fees for € 138 thousand.

Item "4 - Other income" includes:

- recovery of fines and fees on current accounts and deposits of € 4 thousand;
- prior year income of € 94 thousand;
- Enbicredito employment fund and FBA contributions of € 404 thousand;
- fees for treasury service bodies for € 43 thousand.

Section 18 - Net Gains (losses) of equity investments - Caption 250

18.1 Net Gains (losses) of equity investments: breakdown

Income statement item / Amount	31/12/2021	31/12/2020
A. Property	**-**	**-**
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	**4**	**-**
- Gains on sales	4	1
- Losses on sales	-	- 1
Net gain	**4**	**-**

Section 19 - Income taxes - Caption 270

19.1 Income taxes: breakdown

Income statement item / Amount	31/12/2021	31/12/2020
1. Current taxes (-)	- 6,834	- 1,943
2. Change in current taxes from previous years (+/-)	-	-
3. Decrease in current taxes for the year (+)	-	-
3 bis. Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	- 1,960	- 1,940
5. Change in deferred tax liabilities (+/-)	-	-
6. Utilisation of prior year tax provision (+)	-	-
7. Income taxes (-) (-1+/-2+3+/-4+/-5)	**- 8,794**	**- 3,883**

19.2 Reconciliation between the theoretical and effective tax expense

Income statement item / Tax base	Amounts	Balance
Pre-tax profit	23,817	
Effective IRES tax rate	27.50%	
Theoretical tax expense		6,550
Permanent and temporary differences for IRES purposes		*- 1,140*
a) dividends	- 380	
b) other	- 3,767	
IRES tax		**5,410**
Pre-tax profit	23,817	
Effective IRAP tax rate	5.50%	
Theoretical tax expense		1,310
Permanent differences for IRAP purposes	**-**	*113*
a) non-deductible personnel expense	- 1,159	
b) impairment losses/gains on loans and receivables	- 4,211	
c) other	7,418	
IRAP tax		**1,423**
Income tax expense		**6,833**
Utilisation of tax provision for IRES reimbursement pursuant to Law decree no. 201/2011 - tax credit		-
Change in “deferred tax assets”, “deferred tax liabilities” and “current taxes from previous years”		1,960
Income tax benefit		**8,793**

Section 22 – Earnings per share

22.1 Average number of ordinary shares with dilutive effect

	31/12/2021	31/12/2020
Weighted average number of shares	759,750	759,750
Profit attributable to the share categories (Euro)	15,023,164	4,631,993
Basic EPS (Euro)	19.77	6.10
Diluted EPS (Euro)	19.77	6.10

Pursuant to IAS 33.10/33, the basic earnings per share (EPS) are € 19.77.

The bank has not repurchased treasury shares. It has not issued nor does it have shares with dilutive effects.

PART D

Comprehensive income

BREAKDOWN OF COMPREHENSIVE EXPENSE

	Tax base	12/2021	12/2020
10.	**Profit for the year**	**15,023**	**4,632**
	Items that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income:	-10	-18
	a) Fair value losses	*-10*	*-18*
	b) Transfers to other equity items	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating):	-	-
	a) Fair value losses	-	-
	b) Transfers to other equity items	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income:	-	-
	a) Fair value gains (losses) (hedged items)	-	-
	b) Fair value gains (losses) (hedges)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	-306	300
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
100.	Items that will not be reclassified to profit or loss: related tax	81	-78
	Items that will be reclassified to profit or loss		
110.	Hedges of investments in foreign operations:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Exchange rate gains (losses):	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	including: on net positions	-	-
140.	Hedging instruments: (non-designated items)	-	-
	a) changes in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:	-115	6,112
	a) fair value gains (losses)	*-163*	*4,739*
	b) reclassification to profit or loss	*48*	*1,373*
	- impairment losses for credit risk	*48*	*-4*
	- gains/(losses) on sales	-	*1,377*
	c) other changes	-	-
160	Non-current assets held for sale and disposal groups:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity-accounted investees:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	- impairment gains (losses)	-	-
	- gains/(losses) on sales	-	-
	c) other changes	-	-
180.	Related tax	53	-1,517
190.	**Total other comprehensive expense**	**-297**	**4,799**
200.	**Comprehensive income (expense) (captions 10 + 130)**	**14,726**	**9,431**

PART E
Risks and related hedging policies

SECTION 1 - CREDIT RISK

Introduction - General information

Risk management (monitoring, management and measurement) is a fundamental creator of value for the bank and its stakeholders. Accordingly, the bank's control units (the Internal Audit Office, the Risk Governance Office - including the Risk Management and AML units - and Compliance and Privacy Office) are given complete independence and operating powers to ensure the correct and full presentation of risks to the board of directors, the board of statutory auditors, the shareholders and all those who have direct and indirect interests in the bank's equity.

In compliance with the principle of proportionality, risks are managed using methods and processes appropriate for the bank's operations.

The Risk Management Unit of the Risk Governance Office is in charge of monitoring and managing risks. The main duties attributed to the unit are as follows:

- proposing methods, tools and procedures to identify, measure, monitor and manage the most important types of risks to management;
- measuring and assessing the bank's exposure to large risks and reporting thereon;
- checking that bank's risk profiles are in line with the strategies decided by the board of directors;
- regularly reviewing the models and methods used, reporting any weaknesses;
- checking compliance with operating limits defined by both external and internal regulations, proposing adjustments if necessary to the latter;
- working with the IT outsourcer and teams that work on risk management projects;
- monitoring the production and filing of methodological documentation about risk management and control;
- processing analyses and assessments required by the ICAAP (internal capital adequacy assessment process) and ILAAP (internal liquidity adequacy assessment process);
- preparing the data necessary for part E of the notes to the financial statements together with other units;
- checking the quality of the performing exposures portfolio and the classification and measurement of performing and non-performing exposures in the financial statements together with the other units involved;
- regularly preparing reports on trends and risk appetites of the bank's customers;
- preparing the reports on large exposures and, in the case of irregularities, informing the relevant units;
- checking compliance with the prudent regulatory limits as per Bank of Italy Circular no. 285/2013, Part Three, Chapter 11 (Risk-weighted assets and conflicts of interest with related parties) every quarter;
- participating in the finance committee, which ensures the coordinated management of the portfolio managed and the issues pertaining to market, interest rate and liquidity risks; the committee is also attended by the general manager, the head of the administration, control and finance unit, the head of the finance unit and the head of the treasury and finance office.

Once a year, the Risk Management Unit prepares a report for the market when the annual report is published, which includes the "... information about capital adequacy, exposure to risks and the general characteristics of the systems in place to identify, measure and manage such risks" in the "Pillar 3, Market disclosures, situation at 31/12/..." document, posted in the financial reporting section of the bank's internet site www.carifermo.it.

Following the transposition of "Country-by-country reporting" introduced by article 89 of Directive no. 2013/36/EU (the CRD IV) into Italian law, banks are required to publish the information set out in Annex A, Part 1, Title III, Chapter 2 of Circular no. 285/2013 starting from 1 July 2014. The bank publishes this information on its web page: www.carifermo.it/it/bilanci.

In accordance with Bank of Italy Circular no. 285/13, the board of directors defined the bank's risk appetite framework (RAF), identifying the risk objectives, the internal controls, specifying the roles and responsibilities of the internal bodies and units and preparing the related internal regulation and the criteria to identify the more significant transactions to be approved in advance by the Risk Management Unit.

The new internal controls strengthen the role of the control units and, especially, that of the Risk Management Unit which is actively involved in monitoring credit exposure, especially non-performing exposures.

On 1 January 2018, IFRS 9 "Financial instruments" replaced IAS 39, changing the classification and measurement of financial instruments and the related impairment rules. One of the key changes of the new standard IFRS 9 is the calculation of lifetime expected credit losses of all performing exposures that show a "significant increase in credit risk" since initial recognition. The transition to IFRS 9 entailed the bank's revision of the estimation parameters used to calculate collective impairment losses on performing exposures and the definition of a "significant increase in credit risk" of performing exposures.

In accordance with the "Guidance on the management of non-performing loans for Italy's less significant institutions" issued by Bank of Italy in January 2018, the bank prepares an annual update to the operational plan for managing NPE. The "Cassa di Risparmio di Fermo's strategy for managing NPE" document presents the bank's NPE management strategy, which is firstly aimed at its optimisation, by maximising the present value of recoveries. The bank defined its strategy on the basis of an analysis of its operating ability, the market conditions and the characteristics of its NPE portfolio.

The bank and its bodies encourage the circulation and development of a cross-the-board risk culture and employee training about the issue. Accordingly, it provided the internal bodies with information about new legislation that affects the bank's operations, showing the bank's compliance and any necessary actions.

Qualitative disclosure

1. General aspects

In line with its mission, the bank focuses on extending credit to households and SMEs, with products designed to help develop production activities. Its natural inclination towards promoting loans to SMEs is facilitated by its partnership with the underwriting syndicates, especially with those supervised by Bank of Italy. Although it privileges its local social and economic environment, the bank also builds up its customer portfolio in areas where it has a smaller base, partly to mitigate its risks.

The bank is careful when granting and monitoring credit that it does not build up risk concentrations in one sector or industry or, with respect to households, in certain age brackets.

The bank has a policy of ongoing improvement to safeguard both the debtors and their families as well as itself, covering product efficiency, insurance policies for pure risk with cover for death, invalidity and dismissals.

Impact arising from the COVID-19 pandemic

With communication on 30 June 2020, the Bank of Italy transposed the EBA guidelines on reporting and disclosure obligations on exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07). These guidelines require that intermediaries provide information about the financing subject to "moratoria" that fall within the scope of application of the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02); on the financing subject to forbearance measures applied following the COVID-19 crisis and on the new financing guaranteed by the government or another public body. The aforesaid information was applied from 30 June 2020 then every six months. The information envisaged by guideline EBA/GL/2020/07 of 31 December 2021 is published in the Market Disclosures ("Pillar Three"), available on the pages dedicated to financial statements on the www.carifermo.it website.

2. Credit risk management policies

2.1 Organisational aspects

Credit risk is the most significant risk for the bank and is the risk of losses due to the non-payment or partial payment of principal, interest or other amounts by the debtor (ordinary and institutional customers). Credit risk includes counterparty risk, i.e., the risk that the counterparty to a transaction involving certain financial instruments defaults before the transaction is settled.

The unit which decides and organises the management of credit risk has different operating powers, depending on whether it is located at the branches/agencies or the head office (board of directors, executive committee, general manager, managing director, Loans Office and Unit, NPE Office and Legal Affairs and Litigation Office). Each level is defined considering the overall risk assessment of each customer and potential connected customers, the type of credit, the direct and indirect exposure and type of guarantee.

The lending procedure also includes activities and controls for risk management carried out by the following head office units:

- **Loans Office and Unit**: oversee the governance of the credit risk process, namely the activities involving the assumption, management and monitoring of that risk. In the assumption and management of risk, examines and assesses the lending proposals sent by the branches/agencies, authorising them directly if within the limits of their delegated powers, or reporting them to the superior decision-making bodies, supporting their decisions. In the control phase, analyses and monitors positions exposed to risk, suggesting all necessary actions. Alongside the Loans Office, helps to distribute credit expertise, both by collaborating with the various units of the bank in the analysis and interpretation of relevant credit legislation and by providing the network with training and specialist consulting. In the context of the structuring of the organisational process of the loan, the Loan Monitoring Unit was introduced, reporting to the Loans Unit, which uses a dedicated procedure to systematically monitor the loan positions in order to promptly identify the first symptoms of non-performing exposures and request the appropriate corrective measures.

- **NPE Office**: systematically monitors irregularities in the credit risk of "past due" and "unlikely to pay" exposures using data from IT procedures, reports from other units and from any other source in order to promptly identify signs of credit impairment. Has the power to recognise/remove exposures smaller than €50 thousand from "Unlikely to pay" (limit increased to €100 thousand for collateral). For larger exposures, proposes, assisted by the Loans Monitoring Unit, the "unlikely to pay" classification to the general manager; encourages the branches to have them return to a "performing" status, coordinating any rescheduling activity; prepares a monthly report for the corporate bodies on the situation and changes in the unlikely to pay exposures.
- **Legal Affairs and Litigation Office**: manages bad exposures and litigation. Analyses bad exposures to identify the appropriate actions to be taken. Manages insolvency and exposure recovery, by preparing restructuring plans intended to guarantee the extinguishment of bad exposures. Prepares out-of-court or judicial settlement deeds, possibly together with the appointed outside counsel, following dispute settlement.
- **Risk Management Unit**: assesses and develops credit risk measurement methodologies in line with best practices; carries out static and dynamic analyses of the exposure portfolio's risk profile and reports thereon every quarter and month to the internal bodies and bank risk monitoring units. Analyses trends in the exposures and regularly checks that they are classified and provided for correctly.
- **Compliance and Privacy Unit**: analyses credit management procedures and processes within its remit, in addition to related contracts to check compliance with current legislation.
- **Inspection and Internal Audit Office**: performs level 3 controls, including on-site, and checks the bank's regular operations and changes in risks; assesses the completeness, adequacy, working and reliability of the internal controls, informing the corporate bodies of any need for adjustment.

2.2 Management, measuring and control systems

In order to identify any deterioration in customers' credit standing in advance and to analyse trends, a new credit monitoring procedure was implemented in 2021. This procedure, which replaces the previous one, as well as recognising signs of irregularity arising from different sectors (e.g. central credit register, internal performance data, damaging news, etc.), uses numerous financial statement triggers that make it possible to catch any underlying risks even in the absence of irregularities in performance. The procedure supports the network, and in particular the new company units in charge of credit performance control, including: early management, the anomalous loan manager and the Loan Monitoring Unit.

In particular, early management aims to identify in the context of performing exposures, the positions liable for forbearance measures and to subsequently monitor them, predicting their deterioration, while the anomalous loan manager is tasked with supporting the network in the identification of the actions to be taken to resolve the signs of irregularity highlighted, and to limit the deterioration of the loan in general.

Finally, in 2021 the Loan Monitoring Unit was established with the essential task of overseeing the correct classification of lending at all stages, with the exception of bad exposures, ensuring that all players in charge of governing this risk act correctly and promptly by activating all the necessary actions to protect it and assuming a role of first level, second instance control over credit risk.

The bank also uses a specific procedure called credit position control (CPC) which gives each borrower a score. The CPC is used to monitor customers' behaviour in order to identify any loan deterioration on a timely basis using diagnostic tools. The risk management unit uses this data and prepares periodic reports on the CPC for the company bodies.

Quarterly reports analysing the entire portfolio's risk and additional in-depth analyses by business and geographical segment are prepared for the board of directors. This report assesses compliance with the main internal limits, monitors the capital absorption of risks assumed and analyses large exposures.

The Risk Management Unit regularly checks the lifetime expected credit losses on the bank's exposures portfolio using the S.A.Ra. application's internal rating system.

The S.A.Ra. rating system, updated in compliance with the new definition of 'default' and used for management trend monitoring purposes, divides customers into three main segments (Corporate, SME retail and Retail) and classifies counterparties using a scale of ten classes, consisting of nine for performing counterparties (AAA, AA, A, BBB, BB, B, CCC, CC and C) and one for defaulting counterparties (D). The system has two different methods to measure probability of default (PD), one for businesses and one for individuals.

The internal rating system has also been included in the loan disbursement process, amending the related "delegated powers". Specifically, when positions are rated as CCC or below, the loan approval powers are automatically transferred to general management and are exercised by no lower than the head of the Loans Office.

The Risk Management Unit checks compliance with the limits and ceilings for credit quality, counterparty concentration and concentration by product every quarter.

The Risk Management Unit also performs stress tests on the capital requirement for credit and counterparty risk, including quantification, in terms of additional capital, of sensitivity to three risk factors:

1. counterparty credit worthiness;
2. exposure impairment rate;
3. acceptability as credit risk mitigation tools.

The stress test results are included in the quarterly reports.

It is useful to remember that the ICAAP/ILAAP document for 2020 and sent in May 2021 was prepared in accordance with the Bank of Italy letter dated April 2021. In order to take into consideration the changing national and regional economic scenario caused by the COVID-19 pandemic, as required by the Bank of Italy, the Risk Management Unit has prepared additional sensitivity analyses prospectively in relation to the deterioration of credit exposure.

As required by the bank's strategy for managing NPE, the Risk Management Unit carries out quarterly checks of actual results and the application of non-performing exposure management. It reports the results of its quarterly checks to the bank's internal bodies.

2.3 Measurement of expected credit losses

Changes due to COVID-19

As a result of the changing macroeconomic scenario characterised by the COVID-19 pandemic, as of 30 June 2020, for the purposes of determining the expected credit loss (ECL) of performing exposures, the quarterly update of the forward-looking scenario components provided by a leading consulting company was carried out, in order to monitor the impact of the pandemic on the economic system more promptly.

Assessment of the significant increase in credit risk (SICR)

In order to support and alleviate the negative consequences for companies, households and local entities associated with the COVID-19 emergency, the bank promptly launched all economic support measures adopted by the government and trade associations.

As regards the significant increase in credit risk (SICR) and the classification to stage 2, the residual performing exposures with COVID moratoria in late 2021 were brought to stage 2.

In order to monitor the trend of performing exposures and promptly assess the possible negative impacts, in 2021 the Risk Management Function continued the monthly monitoring of performing exposures and related provisions.

Measurement of expected losses

IFRS 9 requires that in-scope financial instruments be classified into three stages. The three stages reflect the impairment level of the credit quality:

- stage 1: financial instruments whose credit risk has not significantly increased since initial recognition or with a low credit risk at the reporting date;
- stage 2: financial instruments whose credit risk has increased significantly since initial recognition, but for which there is no objective evidence of impairment;
- stage 3: financial assets with objective evidence of impairment at the reporting date (NPE).

As part of its policy for managing Loans to customers, the bank adopted rules and processes for monitoring relations, which led, among other things, to a structured classification of them into standardised risk categories (stages), also taking, as previously mentioned, into adequate consideration the particular context of macroeconomic uncertainty deriving from the continuing COVID-19 pandemic and the effects of the legislative and professional moratorium measures issued from time to time, in addition to other support measures introduced by the government.

The bank defined the “significant increase in credit risk”, i.e., when a financial asset should be classified into Stage 2, by considering certain indicators, such as a worsening in the counterparty’s internal rating, a deterioration in the internal score, the number of ongoing past due/overdrawn days and any forbearance measures.

The above rules to reclassify performing exposures from Stage 1 to Stage 2 are used within a model prepared in collaboration with the IT outsourcer.

The bank estimated ECL considering forward-looking information, including macroeconomic information.

In light of the pandemic, as described in the previous sections, in 2021 additional performing exposure monitoring activities continued in order to assess any transition of additional counterparties to Stage 2.

As required by law, the expected credit losses were calculated on the basis of 3 possible scenarios adequately weighted to reflect an objective amount in relation to their different probabilities of occurrence. The impairment model actually considers a basic scenario with a 90% probability of occurrence, a “down” scenario and an “up” scenario with 5% probability of occurrence.

In order to limit the effects associated with the estimated economic recovery, a number of “top-down” corrections were applied, including the “expert” assignment of the probability of occurrence of the macroeconomic scenarios considered by the ECL model (multiscenario), in particular the probability of the adverse scenario considered at 100%.

In terms of the possibility granted by the EBA/IASB communications issued in spring 2020 following the COVID emergency to mitigate the LGD of the relations assisted by government guarantee/counter-guarantee due to the presence of an eligible guarantor/counter-guarantor, such as the Italian government, the bank has decided not to avail itself of said specific treatment.

It identifies its NPE to be classified as stage 3 in accordance with the definitions and non-performing categories provided for by Bank of Italy's requirements set out in Chapter II "Credit quality") of Circular no. 272 "Accounts matrix". These exposures are subject to an analytical measurement process according to Part A of the Accounting Policies.

2.4 Credit risk mitigation techniques

The bank uses credit risk mitigation techniques and tools, the classification and utilisation of which are set out in the "Credit risk mitigation policies" document which requires that:

- the bank obtains qualifiable and acceptable guarantees, such as CRM tools, for its credit exposure on a preferential basis, without waiving those without these requirements as additional protection of credit;
- "collateral or personal guarantees, regardless of their acceptability as CRM tools, are considered to be ancillary compared to the credit transaction and cannot replace or make less effective the assessment of the debtor's repayment ability or be included in the assessment of the counterparty's credit standing or the riskiness of the transaction".

Highly mitigating factors are collateral, mainly consisting of pledges of highly liquid financial assets and mortgages on residential property. Other mitigating guarantees are mortgages on non-residential property, personal guarantees depending on the guarantor's standing and pledges of financial assets other than government bonds.

The concentration level of these guarantees is acceptable given the concentration level of the bank's exposure portfolio (modest).

The credit risk mitigation factors are assessed using a hierarchical classification system for the credit types, based on the intrinsic loss given default (LGD), and the guarantees, based on their risk mitigation potential. Each risk category is given a weighing factor which estimates the overall risk level when applied to the counterparty's overall credit.

With respect to financial collateral acceptable as CRM, the bank meets the requirements of supervisory regulations.

In accordance with the above supervisory regulations and with respect to exposures guaranteed by property, the bank has systems which monitor the property's value on a statistical basis and operating procedures to check its actual value. In November 2019 it has also updated the rule for the assessment of buildings which sets out the general criteria for property evaluations by experts.

The bank uses standard contracts for guarantees. If they are inadequate, the relevant offices prepare ad hoc contracts which are checked by the Compliance Office and, if necessary, external experts.

The bank did not have credit derivatives at the reporting date.

3. Credit-impaired exposures

3.1 Management policies and strategies

Cassa di Risparmio di Fermo's strategy for managing NPE (non-performing exposures) is firstly aimed at its optimisation, by maximising the present value of recoveries. The bank defined its strategy on the basis of an analysis of its operating ability, the market conditions and the characteristics of its NPE portfolio.

By identifying the optimum combination of various possible actions for the recovery and/or reclassification as performing, the NPE operational plan has defined the trend of the bank's NPE for the 2021-2023 period. The strategy is based on the following key points: reduction in the default entry rate, by strengthening the performing exposure monitoring processes and improved selectiveness of the credit rating; reduction in NPE, including through transfers of non-performing exposures; maintenance at adequate recovery levels and maintenance of adequate coverage rates of NPE. The two main quantitative macro-objectives envisaged by the business plan are a ratio between gross NPL and gross lending of 10.7% in 2021, 9.8% in 2022 and 9.4% in 2023 and a coverage rate of non-performing exposures of 53.6% in 2021 and 55% in 2022-2023.

The periodic monitoring of the qualitative and quantitative objectives set out by the operational plan is conducted every month by the competent functions. Every quarter, the Risk Management Unit verifies the effective application of the company policies, preparing reports for the internal bodies. In the event of substantial deviations from the pre-established targets capable of preventing the achievement of those objectives, an assessment is made of which measures to take and any integrations to the plan's strategies.

Management of the "past due" non-performing and "unlikely to pay" (UTP) financial assets is delegated to the NPE Office. "Bad exposures" is delegated to the Legal Affairs and Litigation Unit.

Based on the information obtained from internal reports on exposure performance and irregularities (monitoring of trends, identification of unpaid instalments and suspect cheques, items to be fixed, past due and/or overdrawn positions, reports from branches/agencies, inspection reports, reports from the Risk Governance Office, etc.) and external sources (central risk database, CAI, external provider reports on injurious positions, press releases, etc.), the competent functions assess whether to adopt measures to contain risk and, if necessary, prepare the preliminary deeds for changes in classification status (from performing to non-performing and/or unlikely to pay, from unlikely to pay to bad).

Classification as "unlikely to pay" derives from an opinion, not necessarily based exclusively on the aforementioned irregularities, related to the improbability that without recourse to measures such as the enforcement of guarantees, the debtor will comply fully with its obligations (capital and/or interest). In the case of reclassification to "bad", the competent office provides the Legal Affairs and Litigation Unit with useful information for initiating the credit recovery measures. The Problem Loans Office manages the restructured exposures and forborne exposures as well, limited to the "unlikely to pay exposures"; it prepares a monthly report for the management body on the overall situation, evolution and dynamics of the unlikely to pay exposures.

The classification to "unlikely to pay" is proposed or decided autonomously on the basis of the parameters set out by the credit policy and on the basis of criteria evaluated in depth and with all their possible outcomes; the Problem Loans Office manager recognises positions with credit facilities of not more than €50 thousand as unlikely to pay; the amount is increased to €100 thousand for mortgage loans. For larger exposures, the proposals are submitted to senior management in the report by the Problem Loans Office manager. Reclassification of exposures larger than €5 thousand to the non-performing portfolio requires the general manager's approval; for smaller amounts, approval is required from the Problem Loans Office manager.

Responsibility for monitoring the unlikely to pay positions remains with the branch/agency, assisted by the Problem Loans Office. The branch/agency manager regularly updates the latter Office about any developments and the outcome of the related actions taken.

The Problem Loans Office manager requests the relevant branch/agency officer for a periodic report on the position and examines the customer's financial statements and/or assets and income, to assess and decide whether to:

- maintain the position as unlikely to pay;
- ask the branch/agency to propose to head office that the credit facilities be withdrawn and the subsequent reclassification to bad exposure;
- propose the positions be reclassified as performing, when the original difficulties are overcome;
- classify the position as bad or to propose the position be classified as bad if it exceeds the amount of their proxies.

With respect to the requirements for preparation of annual and interim half year reports, the Problem Loans Office checks all positions classified as unlikely to pay, non-performing past due and/or overdrawn, assisted for the latter by the Loans Office. Based on a review of the customers' financial positions and their guarantees, the Office calculates the percentages to be used to determine the impairment losses and the recoverable amount.

With reference to its credit-impaired exposures, the bank has defined an action plan based on the type of exposure, the underlying guarantee, the position ageing and the progress of legal actions. Specifically, the intervention strategies, also envisaged for the Problem Loans Office, are contained in the document "Cassa di Risparmio di Fermo's strategy for managing NPE" to reduce unlikely to pay and bad exposures and also include out-of-court activities through external credit collection agencies and legal advisors and the factoring of a portion of the NPE portfolio.

3.2 Write-offs

Based on the amount involved and their relevant powers, the heads of the Organisation and Legal Affairs department, Legal Affairs and Litigation Office and Problem Loans Office and senior management may transfer positions for which a loss is expected to the "credit loss account". Positions are written off when they are considered to be irrecoverable due to new events, such as winding ups, unsuccessful enforcement procedures and unsuccessful out-of- court recovery attempts of amounts due from borrowers lacking "foreclosable assets".

3.3 Purchased or originated credit-impaired exposures

The bank did not purchase credit-impaired exposures, nor did they originate internally.

4. Financial assets subject to renegotiations for commercial reasons and forbearance measures

The seventh update of circular no. 272 of 20 January 2015 updated the classification of loans and receivables, based on the definitions of non-performing exposures and forbearance introduced by the implementing technical standards (ITS) defined by the EBA. These new definitions have required a number of adjustments to internal processes and regulations, including the board of directors' approval of the "Credit measurement and classification policy" (last updated on 26 November 2019), which manages the processes to classify and measure loans and receivables, the concepts of performing, non-performing, forbearance, financial difficulties and the default detection parameters.

Forborne exposures (contract modifications or refinancing) are those with borrowers facing financial difficulties whose contractual terms the bank has agreed to modify solely because of such financial difficulties, regardless of their classification as non-performing or the counterparty's default.

Forbearance measures are applied to counterparties that, on the basis of the assessment of their repayment ability, may be reclassified as performing or repay the debt through forbearance measures. These measures are implemented in the following ways:

- reorganisation of the duration of the financing (e.g. transformation from short- to medium- or long-term or extension of the plans to medium- or long-term);
- definition of rescheduling plans for withdrawn or past due exposures;
- renegotiation of the interest rate combined with the above measures;
- total or partial refinancing of the debt.

The Loans Monitoring Unit continuously monitors the effectiveness of the measures applied in order to verify the effective improvement of the exposure.

The definition of forborne exposures does not include contractual amendments or renegotiations for commercial reasons/practices only.

The forborne exposures with customers at 31 December 2021 amount to € 48.3 million in gross terms; these include exposures subject to forbearance measures with performing counterparties for € 21.8 million. The non-performing forborne exposures include bad exposures for € 11,714 thousand, unlikely to pay for € 14,629 thousand and non-performing past due for € 102 thousand.

Participation in the economic support measures implemented by the government and trade associations, as general payment moratoria, did not automatically lead to the reclassification of the exposures as forborne according to the provisions of guideline EBA/GL/2020/02 ("Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis").

Nevertheless, in cases that presented a state of prior financial difficulty, the disbursement was considered a forbearance measure.

Lending with moratoria measures was reclassified to stage 2

Quantitative disclosure

A. Credit quality

A.1 Non-performing and performing exposures: carrying amount, impairment losses, performance and business breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

Portfolio/quality	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures	Performing past due exposures	Performing assets	Total
1. Financial assets at amortised cost	18,271	27,654	671	39,099	1,357,869	**1,443,564**
2. Financial assets at fair value through other comprehensive income	-	-	-	-	913,158	**913,158**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	22	**22**
5. Financial assets held for sale	-	-	-	-	-	**-**
31/12/2021	**18,271**	**27,654**	**671**	**39,099**	**2,271,049**	**2,356,744**
31/12/2020	**29,202**	**41,104**	**202**	**29,266**	**1,751,913**	**1,851,687**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

Portfolio/quality	Non-performing exposures				Performing			Total (carrying amount)
	Gross amount	Total impairment	Carrying amount	Partial/total write-offs	Gross amount	Total impairment	Carrying amount	
1. Financial assets at amortised cost	111,292	64,696	46,596	5,867	1,408,820	11,851	1,396,969	1,443,565
2.Financial assets at fair value through other comprehensive income	-	-	-	-	913,339	181	913,158	913,158
3. Financial assets designated at fair value	-	-	-	-			-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-			22	22
5. Financial assets held for sale	-	-	-	-	-	-	-	-
31/12/2021	**111,292**	**64,696**	**46,596**	**5,867**	**2,322,159**	**12,032**	**2,310,149**	**2,356,745**
31/12/2020	**157,553**	**87,045**	**70,508**	**13,426**	**1,792,239**	**11,060**	**1,781,179**	**1,851,687**

Partial write-offs of non-performing exposures totalled € 5,867 thousand.

It had 11 bad exposures under deed of arrangement at 31 December 2021 (€ 1,033 thousand gross).

Nine positions, for a gross amount of € 583 thousand, classified as bad exposures in 2020, were wound up in 2021.

During the current financial year, no position under deed of arrangement was classified as a bad exposure, previously classified as unlikely to pay.

The unlikely to pay exposures at 31 December 2021 include:

- five positions under deed of arrangement (€ 444 thousand);

- one position under deed of arrangement, currently in the probation period (€ 1,464 thousand);

Portfolio/quality	Assets with poor credit quality		Other assets
	Accumulated losses	Carrying amount	Carrying amount
1. Financial assets held for trading	-	-	102,114
2. Hedging derivatives	-	-	-
31/12/2021	**-**	**-**	**102,114**
31/12/2020	**-**	**-**	**134,374**

A.1.3 Breakdown of financial assets by past due bracket (carrying amounts)

Portfolio / Risk stage	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	From 1 to 30 days	After 30 to 90 days	After 90 days	Up to 30 days	After 30 to 90 days	After 90 days	Up to 30 days	After 30 to 90 days	After 90 days	Up to 30 days	After 30 to 90 days	After 90 days
1. Financial assets at amortised cost	14,805	1	-	22,624	1,254	416	2,330	672	33,655	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
31/12/2021	**14,805**	**1**	**-**	**22,624**	**1,254**	**416**	**2,330**	**672**	**33,655**	**-**	**-**	**-**
31/12/2020	**18,129**	**2**	**-**	**8,444**	**1,970**	**720**	**1,352**	**679**	**54,131**	**-**	**-**	**-**

Financial assets, Loans to customers: total impairment losses and provisioning

Reason / Risk stage	Total impairment																							Total provisioning on loan commitments and financial guarantees given				Total
	Assets classified to Stage 1						Assets classified to Stage 2						Assets classified to Stage 3						Purchased or originated credit-impaired exposures									
	Loans and receivables with banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Loans and receivables with banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Loans and receivables with banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Loan commitments and purchased or originated credit-impaired financial guarantees given	
Opening balance	**11**	**6,275**	**133**	**-**	**81**	**6,194**	**-**	**4,652**	**-**	**-**	**-**	**4,652**	**-**	**87,044**	**-**	**-**	**87,044**	**-**	**-**	**-**	**-**	**-**	**-**	**65**	**25**	**23**	**-**	**98,228**
Increase in purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	4,611	-	-	4,611	-	-	-	-	-	-	-	-	-	-	4,611
Net impairment losses (gains) for credit risk (+/-)	85	-230	48	-	31	-261	-	1,155	-	-	-	1,155	-	1,026	-	-	1,026	-	-	-	-	-	-	-13	-15	26	-	2,082
Modification losses (gains)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-3,888	-	-	-3,888	-	-	-	-	-	-	-	-	-	-	-3,888
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-24,098	-	-	-24,098	-	-	-	-	-	-	-	-	-	-	-24,098
Closing balance	**96**	**6,045**	**181**	**-**	**112**	**5,933**	**-**	**5,807**	**-**	**-**	**-**	**5,807**	**-**	**64,695**	**-**	**-**	**64,695**	**-**	**-**	**-**	**-**	**-**	**-**	**52**	**10**	**49**	**-**	**76,935**
Collections of written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	285	-	-	-	-	-	-	-	-	-	-	-	-	-	285
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-19

The bank assessed its stage 1 and 2 financial assets collectively, based on its models that included forward looking information used to calculate the one-year and lifetime ECL of stage 1 and stage 2 exposures, respectively.

With the resolution of 27 March 2018, the board of directors defined the “significant increase in credit risk”, i.e., when a financial asset should be classified into stage 2, by considering certain indicators, such as a worsening in the counterparty’s internal rating, a deterioration in the internal score, the number of ongoing past due/overdrawn days and any forbearance measures.

Stage 3 financial assets have been assessed individually, also considering the relevant guarantees.

“Assets classified to Stage 3” includes the use of the impairment fund following transfers of the NPLs during the financial year for € 22,617 thousand.

A.1.5 Financial assets, Loans to customers: transfers among the various credit risk stages (gross and nominal amounts)

Portfolio / Risk stage	Gross/nominal amounts					
	Transfer between stages 1 and 2		Transfer between stages 2 and 3		Transfer between stages 1 and 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 at amortised cost	114,320	71,077	5,582	857	3,172	275
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	9,788	28,062	217	20	380	14
31/12/2021	**124,108**	**99,139**	**5,799**	**877**	**3,552**	**289**
31/12/2020	**92,283**	**76,348**	**19,877**	**1,649**	**7,296**	**296**

A.1.5a Financing subject to COVID-19 support measures: transfers among the various credit risk stages (gross amounts)

Portfolio / Risk stage	Gross/nominal amounts					
	Transfer between stages 1 and 2		Transfer between stages 2 and 3		Transfer between stages 1 and 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. Financing at amortised cost	**16,348**	**25,027**	**472**	**61**	**614**	**-**
A.1 subject to forbearance compliant with the GLs	-	-	-	-	-	-
A.2 Financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	6,051	12,629	39	-	454	-
A.3 subject to other forbearance measures	-	-	336	-	-	-
A.4 new financing	10,297	12,398	97	61	160	-
B. Financing at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to forbearance compliant with the GLs	-	-	-	-	-	-
B.2 Financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new financing	-	-	-	-	-	-
31/12/2021	**16,348**	**25,027**	**472**	**61**	**614**	**-**
31/12/2020	**36,520**	**15,264**	**11,449**	**419**	**393**	**41**

A.1.6. On- and off-statement of financial position exposures with banks: gross and carrying amounts

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION EXPOSURES												
A.1 ON DEMAND	***331,477***	***331,477***	-	-	-	***96***	***96***	-	-	-	***331,381***	-
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	331,477	331,477	-		-	96	96	-		-	331,381	-
A.2 OTHER	***42,147***	***20,196***	-	-	-	-	-	-	-	-	***42,147***	-
a) Bad exposures	-		-	-	-	-		-	-	-	-	-
- including: forborne exposures	-		-	-	-	-		-	-	-	-	-
b) Unlikely to pay exposures	-		-	-	-	-		-	-	-	-	-
- including: forborne exposures	-		-	-	-	-		-	-	-	-	-
c) Non-performing past due exposures	-		-	-	-	-		-	-	-	-	-
- including: forborne exposures	-		-	-	-	-		-	-	-	-	-
d) Performing past due exposures	-	-	-		-	-	-	-		-	-	-
- including: forborne exposures	-	-	-		-	-	-	-		-	-	-
e) Other performing exposures	42,147	20,196	-		-	-	-	-		-	42,147	-
- including: forborne exposures	-	-	-		-	-	-	-		-	-	-
TOTAL A	**373,624**	**351,673**	-	-	-	**96**	**96**	-	-	-	**373,528**	-
B. OFF-STATEMENT OF FINANCIAL POSITION											-	
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	5,628	4,860	-		-	6	-	-		-	5,622	-
TOTAL B	**5,628**	**4,860**	-	-	-	**6**	-	-	-	-	**5,622**	-
TOTAL A + B	**379,252**	**356,533**	-	-	-	**102**	**96**	-	-	-	**379,150**	-

The amounts shown in item “B. OFF-STATEMENT OF FINANCIAL POSITION - a) Non-performing exposures” and “b) Performing exposures” are broken down in the following table for their better presentation:

A.1.6.1 Breakdown of off-statement exposures with banks

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
a.1) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	***5,628***	***4,860***	-		-	***6***	-	-		-	***5,622***	-
b.1) Deposits for repos	-	-	-		-	-	-	-		-	-	-
b.2) Interbank Deposit Protection Fund (FITD)	4,860	*4,860*	-		-	6	-	-		-	4,854	-
b.3) Commitment with CC.OO to purchase securities	-	-	-		-	-	-	-		-	-	-
b.4) Interest rate derivatives	654	-	-		-	-	-	-		-	654	-
b.5) Currency forwards	114	-	-		-	-	-	-		-	114	-
TOTAL B	**5,628**	**4,860**	-	-	-	**6**	-	-	-	-	**5,622**	-

A.1.7 On- and off-statement of financial position exposures with customers: gross and carrying amounts

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION												
a) Bad exposures	59,802		-	59,802	-	41,531		-	41,531	-	18,271	5,867
- including: forborne exposures	*11,714*		-	*11,714*	-	*7,729*		-	*7,729*	-	*3,985*	*3,667*
b) Unlikely to pay exposures	50,688		-	50,688	-	23,034		-	23,034	-	27,654	-
- including: forborne exposures	*14,629*		-	*14,629*	-	*4,777*		-	*4,777*	-	*9,852*	-
c) Non-performing past due exposures	802		-	802	-	131		-	131	-	671	-
- including: forborne exposures	*102*		-	*102*	-	*16*		-	*16*	-	*86*	-
d) Performing past due exposures	40,421	15,072	25,349		-	1,322	267	1,055		-	39,099	-
- including: forborne exposures	*2,964*	-	*2,964*		-	*179*	-	*179*		-	*2,785*	-
e) Other performing exposures	2,340,958	2,088,056	173,485		-	10,710	5,959	4,751		-	2,330,248	-
- including: forborne exposures	*18,870*	-	*18,870*		-	*759*	-	*759*		-	*18,111*	-
TOTAL A	**2,492,671**	**2,103,128**	**198,834**	**111,292**	**-**	**76,728**	**6,226**	**5,806**	**64,696**	**-**	**2,415,943**	**5,867**
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing exposures	3,829		-	3,829	-	48		-	48	-	*3,781*	-
b) Performing exposures	*600,837*	*576,410*	*24,425*		-	*57*	*46*	*10*		-	600,780	-
TOTAL B	**604,666**	**576,410**	**24,425**	**3,829**	**-**	**105**	**46**	**10**	**48**	**-**	**604,561**	**-**
TOTAL A + B	**3,097,337**	**2,679,538**	**223,259**	**115,121**	**-**	**76,833**	**6,272**	**5,816**	**64,744**	**-**	**3,020,504**	**5,867**

Also for this statement, the amounts shown in item “B. OFF-STATEMENT OF FINANCIAL POSITION - a) Non-performing exposures” and “b) Performing exposures” are broken down in the following table for their better presentation:

A.1.7.1 Breakdown of off-statement exposures with customers

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing exposures	***3,829***		***-***	***3,829***	***-***	***48***		***-***	***48***	***-***	***3,781***	***-***
a.1) Financial endorsement credits	-		-	-	-	-		-	-	-	-	-
a.2) Commercial endorsement credits	245		-	245	-	48		-	48	-	*197*	-
a.3) Commitments of uncertain use	3,584		-	3,584	-	-		-	-	-	*3,584*	-
b) Performing exposures	***600,837***	***576,410***	***24,425***		***-***	***57***	***46***	***10***		***-***	***600,780***	***-***
b.1) Financial endorsement credits	111	23	88		-	-	-	-		-	111	-
b.2) Commercial endorsement credits	20,466	18,567	1,899		-	27	19	7		-	20,439	-
b.3) Commitments of uncertain use	579,627	557,188	22,438		-	29	26	3		-	579,598	-
b.4) Financing for repos	-	-	-		-	-	-	-		-	-	-
b.5) Commitment with II.CC to purchase securities issued by CC.OO.	-	-	-		-	-	-	-		-	-	-
b.6) Interest rate derivatives and forwards	-	-	-		-	-	-	-		-	-	-
b.7) Currency forwards	1	-	-		-	-	-	-		-	1	-
b.8) Risks associated with SFTs (repos)	-	-	-		-	-	-	-		-	-	-
b.9) Interbank Deposit Protection Fund - voluntary scheme	632	632	-		-	1	1	-		-	631	-
TOTAL B	**604,666**	**576,410**	**24,425**	**3,829**	**-**	**105**	**46**	**10**	**48**	**-**	**604,561**	**-**

A.1.7a Financing subject COVID-19 support measures: gross and carrying amounts

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. NON-PERFORMING FINANCING	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY FINANCING	**1,347**	**-**	**-**	**1,347**	**-**	**243**	**-**	**-**	**243**	**-**	**1,104**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	478	-	-	478	-	106	-	-	106	-	372	-
c) Subject to other forbearance measures	336	-	-	336	-	32	-	-	32	-	304	-
d) New financing	533	-	-	533	-	105	-	-	105	-	428	-
C) NON-PERFORMING PAST DUE FINANCING	**16**	**-**	**-**	**16**	**-**	**2**	**-**	**-**	**2**	**-**	**14**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	16	-	-	16	-	2	-	-	2	-	14	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
D) PERFORMING PAST DUE FINANCING	**2,889**	**1,833**	**1,056**	**-**	**-**	**139**	**42**	**97**	**-**	**-**	**2,750**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	1,868	1,226	642	-	-	72	25	47	-	-	1,796	-
c) Subject to other forbearance measures	94	-	94	-	-	1	-	1	-	-	93	-
d) New financing	927	607	320	-	-	66	17	49	-	-	861	-
E) OTHER PERFORMING FINANCING	**288,318**	**265,962**	**22,356**	**-**	**-**	**2,840**	**2,045**	**795**	**-**	**-**	**285,478**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	83,406	75,087	8,319	-	-	780	555	225	-	-	82,626	-
c) Subject to other forbearance measures	575	-	575	-	-	30	-	30	-	-	545	-
d) New financing	204,337	190,875	13,462	-	-	2,030	1,490	540	-	-	202,307	-
TOTAL A + B + C + D + E	**292,570**	**267,795**	**23,412**	**1,363**	**-**	**3,224**	**2,087**	**892**	**245**	**-**	**289,346**	**-**

A.1.8 On-statement of financial position exposures with banks: gross non-performing positions

The table is not shown in these financial statements since there are no credit-impaired exposures with banks.

A.1.8-bis On-statement of financial position exposures with banks: gross forborne exposures broken down by credit quality

As a result of the information described in the previous section, this table is not shown either.

A.1.9 On-statement of financial position exposures with customers: gross non-performing positions

Reason/Category	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	**86,166**	**71,146**	**241**
- including: exposures transferred but not derecognised	-	-	-
B. Increases	**11,087**	**7,628**	**938**
B.1 from performing exposures	1,221	7,504	875
B.2 from purchased or originated credit-impaired exposures	-	-	-
B.3 transfers from other non-performing categories	9,068	66	9
B.4 modification gains	-	-	-
B.5 other increases	798	58	54
C. Decreases	**37,451**	**28,086**	**377**
C.1 transfers to performing exposures	-	762	11
C.2 write-offs	2,544	-	-
C.3 collections	6,464	4,765	300
C.4 sales	10,629	4,205	-
C.5 losses on sales	1,069	3,542	-
C.6 transfers to other non-performing categories	-	9,077	66
C.7 modification gains	-	-	-
C.8 Other decreases	16,745	5,735	-
D. Gross closing balance	**59,802**	**50,688**	**802**
- including: exposures transferred but not derecognised	-	-	-

A.1.9-bis On-statement of financial position exposures with customers: gross forborne exposures broken down by credit quality

Reason/Quality	Performing forborne exposures	Other forborne exposures
A. Gross opening balance	**38,291**	**15,822**
- including: exposures transferred but not derecognised	-	-
B. Increases	**14,412**	**13,545**
B.1 transfers from performing exposures not subject to forbearance	2,496	11,949
B.2 transfers from performing forborne exposures	1,847	
B.3 transfers from performing forborne exposures		605
B.4 transfers from non-performing exposures not subject to forbearance measures	-	-
B.5 other increases	10,069	991
C. Decreases	**26,258**	**7,533**
C.1 transfers to performing exposures not subject to forbearance		754
C.2 transfers to performing forborne exposures	605	
C.3 transfers to non-performing forborne exposures		1,847
C.4 cancellations	434	-
C.5 collections	5,114	4,932
C.6 sales	3,126	-
C.7 losses on sales	4,251	-
C.8 other decreases	12,728	-
D. Gross closing balance	**26,445**	**21,834**
- including: exposures transferred but not derecognised	-	-

A.1.10 On-statement of financial position non-performing exposures with banks: changes in total impairment

As a result of the information described in section A.1.8, the table is not shown because there are no valuations.

A.1.11 On-statement of financial position non-performing exposures with customers: changes in total impairment

Reason/Category	Bad exposures		Unlikely to pay exposures		Non-performing past due exposures	
	Total	Including: forborne exposures	Total	Including: forborne exposures	Total	Including: forborne exposures
A. Opening balance	**56,964**	**7,633**	**30,042**	**11,411**	**39**	**-**
- including: exposures transferred but not derecognised	-	-	-	-	-	-
B. Increases	**13,060**	**3,706**	**9,196**	**1,910**	**125**	**16**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-		-		-	
B.2 other impairment losses	7,154	773	5,641	842	93	12
B.3 losses on sales	1,069	-	3,542	-	-	-
B.4 transfers from other non-performing categories	4,552	2,659	12	-	2	-
B.5 modification gains	-	-	-	-	-	-
B.6 other increases	285	274	1	1,068	30	4
C. Decreases	**28,493**	**3,610**	**16,204**	**8,544**	**33**	**-**
C.1 impairment gains from valuation	2,807	144	3,806	3,148	7	-
C.2 impairment gains from collection	4,767	157	295	-	6	-
C.3 gains on sales	91	-	402	-	-	-
C.4 write-offs	3,888	633	-	-	-	-
C.5 transfers to other non-performing categories	-	-	4,552	2,659	14	-
C.6 modification gains	-	-	-	-	-	-
C.7 other decreases	16,940	2,676	7,149	2,737	6	-
D. Closing balance	**41,531**	**7,729**	**23,034**	**4,777**	**131**	**16**
- including: exposures transferred but not derecognised	-	-	-	-	-	-

“C.7 other decreases” includes use of the allowance for impairment in relation to the transfers of NPLs made during the year.
Single-name UTP exposures transferred fund use equal to € 5,701 thousand;
Single-name bad exposures transferred fund use equal to € 675 thousand;
Exposures transferred with GACS Buonconsiglio 4 multi-originator securitisation, use of the allowance for € 16,242 thousand.

A.2 Classification of financial assets, loan commitments and financial guarantees given based on internal and external ratings

A.2.1 Breakdown of financial assets, Loans to customers by external rating class (gross amounts)

Moody's provides the external ratings in accordance with the ECAI used to calculate the capital requirements for credit risk on exposures with governments and supervised intermediaries.

The exposure with externally-rated ordinary customers on and off-statement of financial position is negligible.

The exposure with institutional and banking counterparties has the rating shown in the following table:

Exposures	External rating class						No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB	BB+/BB-	B+/B-	Lower than B		
A. Financial assets at amortised cost	**-**	**-**	**330,653**	**-**	**-**	**-**	**1,189,460**	**1,520,113**
- Stage 1	-	-	320,089	-	-	-	889,897	1,209,986
- Stage 2	-	-	10,564	-	-	-	188,270	198,834
- Stage 3	-	-	-	-	-	-	111,293	111,293
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**913,339**	**-**	**-**	**-**	**-**	**913,339**
- Stage 1	-	-	913,339	-	-	-	-	913,339
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**-**	**-**	**1,243,992**	**-**	**-**	**-**	**1,189,460**	**2,433,452**
D. Loan commitments and financial guarantees given	**-**	**-**	**1,507**	**-**	**-**	**-**	**608,018**	**609,525**
- Stage 1	-	-	1,507	-	-	-	579,764	581,271
- Stage 2	-	-	-	-	-	-	24,425	24,425
- Stage 3	-	-	-	-	-	-	3,829	3,829
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**1,507**	**-**	**-**	**-**	**608,018**	**609,525**
Total (A + B + C + D)	**-**	**-**	**1,245,499**	**-**	**-**	**-**	**1,797,478**	**3,042,977**

A.2.2 Breakdown of financial assets, loan commitments and financial guarantees given by internal rating class (gross amounts)

The bank has decided not to use internal rating systems.

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.2 On- and off-statement of financial position guaranteed credit exposures with customers

Tax base / Amount	Gross amount	Carrying amount	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement credits				
								Other derivatives								
			Mortgaged property	Financing for leased property	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other	Public administrations	Banks	Other financial companies	Other	
1. Guaranteed exposures:	**993,202**	**925,992**	**425,807**	**-**	**13,581**	**15,368**	**-**	**-**	**-**	**-**	**-**	**200,177**	**24,778**	**67,386**	**151,704**	**898,801**
1.1. fully guaranteed	831,581	769,368	423,739	-	12,050	14,557	-	-	-	-	-	97,019	20,249	56,571	145,174	769,359
- including: non-performing	*97,104*	*43,068*	*36,239*	-	*259*	*61*	-	-	-	-	-	*1,357*	*355*	*415*	*4,383*	*43,069*
1.2. Partly guaranteed	161,621	156,624	2,068	-	1,531	811	-	-	-	-	-	103,158	4,529	10,815	6,530	129,442
- including: non-performing	*5,200*	*1,735*	*795*	-	*1*	-	-	-	-	-	-	*284*	*222*	*52*	*124*	*1,478*
2. Off-statement of financial position guaranteed exposures:	**225,535**	**225,502**	**9,720**	**-**	**4,228**	**2,696**	**-**	**-**	**-**	**-**	**-**	**19,313**	**2,071**	**5,109**	**167,979**	**211,116**
2.1. fully guaranteed	184,341	184,312	9,172	-	3,494	1,948	-	-	-	-	-	8,348	1,593	4,884	154,118	183,557
- including: non-performing	*995*	*995*	*196*	-	-	-	-	-	-	-	-	*164*	-	-	*633*	*993*
2.2. Partly guaranteed	41,194	41,190	548	-	734	748	-	-	-	-	-	10,965	478	225	13,861	27,559
- including: non-performing	*52*	*52*	-	-	-	-	-	-	-	-	-	-	-	*18*	*26*	*44*

A.4 Financial and non-financial assets obtained through enforcement of guarantees received

Tax base / Amount	Derecognised exposure	Gross amount	Total impairment	Carrying amount	
					including: obtained during the year
A. Property, equipment and investment property	**2,013**	**571**	**30**	**541**	**-**
A.1. Used for operations	-	-	-	-	-
A.2. Investment	2,013	571	30	541	-
A.3. Inventories	-	-	-	-	-
B. Equity instruments and debt instruments	**-**	**-**	**-**	**-**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and disposal groups	**-**	**-**	**-**	**-**	**-**
D.1. Property, equipment and investment property	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total at 12/2021	**2,013**	**571**	**30**	**541**	**-**
Total at 12/2020	**2,013**	**571**	**12**	**559**	**-**

Item “A.2 Investment” in the above table indicates the value of a property allocated to the bank by the Court of Fermo, following the enforcement procedure concluded in 2019 and of another three properties allocated by the Court of Terni following another enforcement procedure.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Breakdown of on- and off-statement of financial position exposures with customers by business segment

Exposure/Counterparty	Public administrations		Financial companies		Financial companies (including: insurance companies)	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position						
A.1 Bad exposures	-	-	50	371	-	-
- including: forborne exposures	-	-	*1*	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-
- including: forborne exposures	-	-	-	-	-	-
A.3 Non-performing past due exposures	34	5	-	-	-	-
- including: forborne exposures	-	-	-	-	-	-
A.4 Performing exposures	1,277,594	943	65,950	276	1,121	-
- including: forborne exposures	-	-	-	-	-	-
Total A	**1,277,628**	**948**	**66,000**	**647**	**1,121**	**-**
B. Off-statement of financial position						
B.1 Non-performing exposures	-	-	-	-	-	-
B.2 Performing exposures	54,166	12	10,996	4	90	-
Total B	**54,166**	**12**	**10,996**	**4**	**90**	**-**
Total (A + B) at 31/12/2021	**1,331,794**	**960**	**76,996**	**651**	**1,211**	**-**
Total (A + B) at 31/12/2020	**891,662**	**409**	**78,455**	**613**	**1,232**	**-**

Exposure/Counterparty	Non-financial companies		Households	
	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position				
A.1 Bad exposures	12,259	29,584	5,962	11,576
- including: forborne exposures	*2,256*	*5,777*	*1,728*	*1,952*
A.2 Unlikely to pay exposures	19,318	17,967	8,336	5,067
- including: forborne exposures	*5,664*	*2,947*	*4,188*	*1,830*
A.3 Non-performing past due exposures	70	13	567	113
- including: forborne exposures	*57*	*11*	*29*	*5*
A.4 Performing exposures	641,426	6,374	384,377	4,439
- including: forborne exposures	*14,484*	*644*	*6,412*	*294*
Total A	**673,073**	**53,938**	**399,242**	**21,195**
B. Off-statement of financial position				
B.1 Non-performing exposures	3,559	48	222	-
B.2 Performing exposures	471,895	30	63,723	10
Total B	**475,454**	**78**	**63,945**	**10**
Total (A + B) at 31/12/2021	**1,148,527**	**54,016**	**463,187**	**21,205**
Total (A + B) at 31/12/2020	**1,090,221**	**72,997**	**458,838**	**24,176**

Item “A.1 Bad exposures - including: forborne exposures” includes 132 positions, comprising both those with debt rescheduling agreements and those under deed of arrangement.

Item “A.2 Unlikely to pay exposures - including: forborne exposures” includes 150 positions subject to forbearance measures.

Item "A.3 Non-performing past due exposures - including: forborne exposures" includes 5 positions subject to forbearance measures.

Item "A.4 Performing exposures - including: forborne exposures" comprises 250 positions subject to forbearance measures.

The credit concentration risk is analysed in the directors' report.

B2 Breakdown of on- and off-statement of financial position exposures with customers by geographical segment

Exposure/Geographic area	ITALY		IER EUROPEAN COUNTR		AMERICAS		ASIA		REST OF THE WORLD	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position										
A.1 Bad exposures	18,271	41,495	-	-	1	36	-	-	-	-
A.2 Unlikely to pay exposures	27,654	23,034	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	671	131	-	-	-	-	-	-	-	-
A.4 Performing exposures	2,298,553	12,030	44,059	1	15,450	-	9,034	-	2,250	-
Total A	**2,345,149**	**76,690**	**44,059**	**1**	**15,451**	**36**	**9,034**	**-**	**2,250**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	3,781	48	-	-	-	-	-	-	-	-
B.2 Performing exposures	600,779	57	1	-	-	-	-	-	-	-
Total B	**604,560**	**105**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/2021	**2,949,709**	**76,795**	**44,060**	**1**	**15,451**	**36**	**9,034**	**-**	**2,250**	**-**
Total (A + B) at 31/12/2020	**2,419,533**	**98,194**	**71,088**	**1**	**14,846**	**-**	**12,822**	**-**	**889**	**-**

B.2.1 Breakdown of on- and off-statement of financial position exposures with customers by geographical segment

Exposure/Geographic area	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position								
A.1 Bad exposures	370	1,729	38	249	16,691	36,492	1,173	3,025
A.2 Unlikely to pay exposures	175	71	8	3	26,529	22,522	942	438
A.3 Non-performing past due exposures	1	-	6	1	646	126	18	4
A.4 Performing exposures	44,739	346	16,657	175	2,133,019	10,552	104,138	957
Total A	**45,285**	**2,146**	**16,709**	**428**	**2,176,885**	**69,692**	**106,271**	**4,424**
B. Off-statement of financial position								
B.1 Non-performing exposures	682	48	-	-	3,068	-	32	-
B.2 Performing exposures	7,030	1	9,965	-	528,961	53	54,823	3
Total B	**7,712**	**49**	**9,965**	**-**	**532,029**	**53**	**54,855**	**3**
Total (A + B) at 31/12/2021	**52,997**	**2,195**	**26,674**	**428**	**2,708,914**	**69,745**	**161,126**	**4,427**
Total (A + B) at 31/12/2020	**46,703**	**4,240**	**19,326**	**437**	**2,206,365**	**88,577**	**147,137**	**4,939**

B.3 Breakdown of on- and off-statement of financial position exposures with banks by geographical segment

Exposure/Geographic area	ITALY		ER EUROPEAN COUNTR		AMERICAS		ASIA		REST OF THE WORLD	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	350,293	92	17,411	-	3,213	4	-	-	2,612	-
Total A	**350,293**	**92**	**17,411**	**-**	**3,213**	**4**	**-**	**-**	**2,612**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	5,622	6	-	-	-	-	-	-	-	-
Total B	**5,622**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/2021	**355,915**	**98**	**17,411**	**-**	**3,213**	**4**	**-**	**-**	**2,612**	**-**
Total (A + B) at 31/12/2020	**28,177**	**13**	**16,066**	**3**	**4,437**	**8**	**-**	**-**	**3,373**	**-**

B.3.1 Breakdown of on- and off-statement of financial position exposures with banks by geographical segment

Exposure/Geographic area	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position								
A.1 Bad exposures	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	79,396	92	-	-	270,897	-	-	-
Total A	**79,396**	**92**	**-**	**-**	**270,897**	**-**	**-**	**-**
B. Off-statement of financial position								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	767	-	-	-	4,855	6	-	-
Total B	**767**	**-**	**-**	**-**	**4,855**	**6**	**-**	**-**
Total (A + B) at 31/12/2021	**80,163**	**92**	**-**	**-**	**275,752**	**6**	**-**	**-**
Total (A + B) at 31/12/2020	**2,225**	**3**	**1,306**	**1**	**24,646**	**9**	**-**	**-**

B.4 Large exposures

Tax base / Amount	31/12/2021	31/12/2020
a) Carrying amount	1,932,961	1,140,301
b) Weighted amount	113,455	35,846
c) Number	5	5

The above table shows both the weighted and carrying amount of the large exposures. The number of positions was 5, unchanged compared to 31 December 2020, mostly relating to institutional counterparties and in one case to ordinary customers.
Their weighted amount increased from € 35,846 thousand at 31 December 2020 to € 113,455 thousand at the reporting date.

C. SECURITISATIONS

Qualitative disclosure

In December 2021, the multi-originator securitisation operation was concluded pursuant to Law no. 130 of 30 April 1999, named *Buonconsiglio 4*, with regard to 273 positions classified as bad exposures by the bank on retail and corporate customers, alongside other portfolios of receivables from another 37 credit institutes.

On 9 December 2021, the financing contract with limited recourse was signed in favour of the *SPV Buonconsiglio 4 Srl*, while on 13 December the bank signed the agreement for the subscription of the bonds issued by the vehicle and the approval of the binding offer from Irish fund Buckthorn Financing DAC was signed for the purchase of 95% of the mezzanine and junior bonds, as an essential condition to carry out the derecognition of the exposures transferred from the assets.

The bonds were issued on 14 December and on 15 December the mezzanine and junior bonds were sold with settlement date on 17 December 2021. In line with the provisions of IFRS9, the senior bonds were recognised in the HTC portfolio at amortised cost, while the mezzanine and junior bonds, which did not pass the SPPI test, were recognised in the portfolio of financial assets at fair value through profit or loss.

The operation was structured in such a way that had suitable characteristics for the senior securities to benefit from the state guarantee in the context of securitisation operations ("GACS").

In order to comply with the obligation to retain net economic interest of at least 5% in the operation set out by (i) art. 405, paragraph 1, letter a) of Regulation (EU) 537/2013 (the "CRR"), (ii) art. 51, paragraph 1, letter a) of Commission Delegated Regulation (EU) 231/2013 (the "AIFMD Regulation"), and (iii) art. 254, paragraph 2, letter a) of Commission Delegated Regulation (EU) 35/2015 (the "Solvency II Regulation"), the assignor banks undertook to retain a quota of at least 5% of the nominal amount of each tranche of Debt securities issuedin the context of the operation ("vertical slice").

The main characteristics of the Debt securities issued by the vehicle are shown below.

Securities	Nominal amount	Subscribers and buyers.	Maturity	Rate	Margin
Class A, senior securities	€ 117.7 million	100% assignor banks	2042	Euribor 6 months	0.40% spread with zero-floor coupon.
Class B, mezzanine securities	€ 16.5 million	95% investors 5% assignor banks	2042	Euribor 6 months	10.0 % spread with zero-floor coupon
Class J, junior securities	€ 5.893 million ***	95% investors 5% assignor banks	2042	Euribor 6 months	15.00% plus variable return zero-floor coupon

** of which € 4,393.000 related to the over-issue of junior securities, subscribed in cash by the assignor banks, for the payment of all costs of the operation.

With reference to the placement of securities, as is understood from the table above, the senior securities were subscribed by the assignor banks at the issue date; the mezzanine and junior securities, fully subscribed by the assignor banks at the issue date, were subsequently transferred to third-party independent investors for a total amount of 95% of their nominal amount as previously communicated to the ECB with letter dated 30 September 2021. The remaining 5% of the nominal amount of the mezzanine and junior securities will be retained by the assignor banks in order to comply with the obligation to retain net economic interest of 5% in the operation in question (retention rule).

The derecognition of the bad exposures from the financial statements of the assignor banks took place following the transfer of the 95% of the mezzanine and junior securities to Buckthorn Financing DAC. The transfer took place for both tranches on 15 December 2021 with settlement on 17 December 2021.

Portfolio securitised by Cassa di Risparmio di Fermo S.p.A.

The most significant figures from the transferred portfolio and the securitisation of Cassa di Risparmio di Fermo S.p.A. are shown below:

A) Transfer of exposures without recourse on 1 December 2021

Amounts in euro

	[A]	[B]	[C] = [A] – [B]	[D]	[E] = [C] –[D]
GBV	**Gross carrying amount**	**Impairment losses**	**Net carrying amount**	**Loss on sales**	**Sale price**
38,732,197.62	**25,717,899.87**	**16,042,694.11**	**9,675,205.76**	**236,205.76**	**9,439,000****

** price gross of collections recorded at the final cut-off date of 31 July 2021 at the transfer date excluded for € 23,119.67.

In particular, the securitised portfolio includes bad exposures at the transfer date for a gross carrying amount of € 25,717,899.87 and for an aggregate gross amount at the transfer date, net of impairment and including any collections from the exposures and pertaining to the securitisation company, received by the assignor company between the date of definition of the carrying amount and the transfer date, confirmed on the basis of the accounting records to be € 9,698,325.43 (of which collections for 23,119.67), transferred at an amount of € 9,439,000.

B) Issue of notes by the SPV and subscription of notes by the bank on 14/12/2021

Amounts in euro

Description	**Notes type**			**Total notes**
	Senior	***Mezzanine***	***Junior***	
- Scope Rating - DBRS Morningstar - ARC	BBB	No rating	No rating	
CTV issue	**8,187,000**	**1,148,000**	**323,000*****	**9,658,000**

*** amount includes the overissue of junior securities paid by cash € 219,000 (amount equal to the upfront costs of the operation)

At the issue date of the notes, 14 December 2021, the SPV delivered to the bank, in exchange for the transfer price of the portfolio, the senior, mezzanine and junior notes. On 15 December 2021 (with settlement on 17 December 2021), the bank transferred to Buckthorn Financing DAC 95% of the mezzanine securities and 95 % of the junior securities.

Securitised positions

The following table contains the securitised positions held by the bank following the transfer to Buckthorn Financing DAC of 95% of the mezzanine notes and 95% of the junior notes:

Class	Amount	ISIN
Class A	**8,187,000**	**IT 0005473647**
Class B	**58,000**	**IT 0005473654**

Class J	**21,000**	**IT 0005473662**
Limited recourse loan	**362,000**	**N.A.**

Limited recourse loan agreement: was signed on 9 December 2021 by Buonconsiglio 4 S.r.l. and the assignor banks (lending banks), pro rata, for a total amount of € 5,198,000. As part of the securitisation operation, the lending banks granted the vehicle a limited recourse loan intended to finance the establishment of an initial cash reserve, a retention amount and a recovery expenses target amount. The sums due by the vehicle for any reason pursuant to this agreement shall be paid by it to the lending banks in compliance with the order of priority of payments applicable from time to time and shall therefore be subject to the payments to be made by the vehicle with priority, pursuant to the applicable order of priority of the payments. The portion of this loan granted by Carifermo totals € 362 thousand.

Quantitative disclosure

C.1 Exposures of the main "own" securitisations broken down by securitised asset and type of exposure

Type of securitised asset / exposure	On-statement of financial position					
	Senior		Mezzanine		Junior	
	Carrying amount	Impairment gains (losses)	Carrying amount	Impairment gains (losses)	Carrying amount	Impairment gains (losses)
A. Subject to full derecognition	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Buonconsiglio 4	***8,131***	**-**	***56***	**-**	***22***	**-**
- Repurchased securities not capitalised, uncommitted - SPV 000002064	8,131	-	56	-	-	-
- Subordinated loan active in the form of securities - SPV 000002064	-	-	-	-	22	-
A.2 name of securitisation 2	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
A.3 name of securitisation ..	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
B. Subject to partial derecognition	**-**	**-**	**-**	**-**	**-**	**-**
B.1 name of securitisation 1	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
B.2 name of securitisation 2	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
B.3 name of securitisation ..	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C.1 name of securitisation 1	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
C.2 name of securitisation 2	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
C.3 name of securitisation ..	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-

The previous table shows the residual securities, senior and mezzanine, at the carrying amount at 31/12/2021 received following the multi-originator securitisation with GACS, Buonconsiglio 4.

SECTION 2 - MARKET RISK

2.1 Interest rate and price risks - supervisory trading book

Qualitative disclosure

A. General aspects

The securities portfolio was almost entirely comprised of Debt securities issuedby governments or banks in 2021, like in the previous year, in order to minimise interest rate risks. The bank also pledged bank and government bonds from different portfolios as security with the ECB, pursuant to the Bank of Italy instructions about open market operations.

Other interest rate swaps include mirroring contracts for corporate customers, hedged specifically with institutional counterparties. As a result, derivatives do not entail the bank's taking on of risk.

In short, therefore, the bank's policy for trading on its own behalf consists of medium-term repurchase transactions, monitoring the performance and risk profiles, in order to achieve returns on a portfolio mainly composed of fixed rate securities.

As part of its ordinary trading activities, the bank undertook transactions directly for government bonds and bonds, mostly issued by banks. It also managed the organised trades system for its own bonds.

Impact arising from the COVID-19 pandemic

The spread of the COVID-19 pandemic in Italy and the rest of the world caused serious tensions on the financial markets with consequent repercussions on the VaR and the economic and financial results of the securities portfolio in March and April 2020, when on some days the limits and internal thresholds were reached.

B. Interest rate and price risk management processes and measurement methods

The bank applies the standardised method as per Regulation (EU) no. 575/2013 and the related supervisory regulations to calculate its prudent capital requirements. It has specific market risk control procedures in place as well as ensuring and checking compliance with the prudent rules.

Specifically, internal control regulations establish that the securities portfolio's exposure to market risks is checked by the Risk Management Unit using the VaR method.

In 2016, the board of directors approved the transfer of part of its banking book to a portfolio managed by Epsilon SGR S.p.A. (total amount of €120 million). The bank gave the fund manager an additional cash management mandate of € 25 million to optimise excess short-term liquidity in 2017. In January 2020, € 18 million in assets from this mandate was disposed of.

In the first quarter of 2021, the bank also decided to expand the diversification of the securities portfolio with a new Total Return asset management mandate for € 50 million granted to Eurizon SGR.

The bank checks the operating and total risk limits set in the “Policies for financial risk management” using the portfolio not transferred to Epsilon S.p.A., while it checks compliance with the limits set in the mandate's guidelines for the transferred assets.

The bank measures VaR of the internally-managed portfolio based on a variance-covariance type parametric model with a confidence interval of 99% and a holding period of ten days. The VaR has a reliability factor of 99% and measures the maximum loss that the portfolio could incur in the ten days after the analysis date.

The bank measures VaR using the procedures that estimate the potential losses due to generic risk (market, interest rate and currency) and specific risk (the risk of losses due to an unfavourable change in the price of a traded financial instrument due to factors related to the issuer's situation). The procedure also performs a sensitivity analysis for each security in the bank's portfolio measuring variations in value of financial instruments (present value) caused by a variation in the interest rate curve, assuming a parallel change in the curve of 1 bps.

The calculation of the VaR of the banking book (not included in the mandate) includes financial instruments, comprising shares, bonds and OEIC units of the FVTPL, FVOCI and AC portfolios, excluding foreign currency swaps and futures and derivatives.

The objective is to constantly check the exposure to market risk and compliance with the internally-established limits using the VaR method and the VaR component (VaRC). The VaR monitoring is performed daily and the Risk Management Unit prepares a monthly summary for the board of directors.

At present, the VaR model is solely used for management and internal control purposes. The backtesting procedure of the VaR DEaR (one day) is performed daily to check the calculation model's reliability.

Backtesting checks how accurately the VaR model reflects real changes in value of the securities portfolio being analysed. It compares the results (profits or losses) for a certain period directly observed by the bank with the VaR results. The backtesting shows how often losses incurred are greater than those estimated using the VaR model. Actual losses should be higher than the VaR with a frequency in line with that defined by the 99% confidence level, i.e., 1%.

With respect to the financial instruments managed by Epsilon, the manager provides the 1-month VaR with a probability level of 99% on a daily basis and the stress test results at each month end. The Risk Management Unit monitors the manager's compliance with the limits set in the mandate's guidelines once a month.

With respect to price risk, the bank's operations in price risk sensitive financial instruments are checked by measuring VaR using the Ermas application and as provided by the asset manager.

Quantitative disclosure

1. Regulatory trading book: breakdown by residual maturity (repricing date) of financial assets and liabilities and financial derivatives.

Currency denomination: Euro

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	open term
1. Assets	-	**4,672**	**13,373**	**16,342**	**52,756**	**2,596**	-	-
1.1 Debt instruments	-	4,672	13,373	16,342	52,756	2,596	-	-
- with early repayment option	-	*2,663*	*5,017*	*4,184*	*10,284*	-	-	-
- other	-	*2,009*	*8,356*	*12,158*	*42,472*	*2,596*	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**53,999**	**440**	**450**	**19,275**	**18,820**	**10,609**	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	53,999	440	450	19,275	18,820	10,609	-
- Options	-	*33,908*	-	*12*	*10,001*	*16,902*	*4,736*	-
+ long positions	-	*16,954*	-	*6*	*5,002*	*8,452*	*2,366*	-
+ short positions	-	*16,954*	-	*6*	*4,999*	*8,450*	*2,370*	-
- Other derivatives	-	*20,091*	*440*	*438*	*9,274*	*1,918*	*5,873*	-
+ long positions	-	*11,666*	*220*	*219*	*8,533*	-	-	-
+ short positions	-	*8,425*	*220*	*219*	*741*	*1,918*	*5,873*	-

Currency denomination: Other currencies

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	open term
1. Assets	-	-	-	-	**9,459**	**1,277**	-	-
1.1 Debt instruments	-	-	-	-	9,459	1,277	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	*9,459*	*1,277*	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**14,091**	**440**	**438**	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	14,091	440	438	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*14,091*	*440*	*438*	-	-	-	-
+ long positions	-	*5,425*	*220*	*219*	-	-	-	-
+ short positions	-	*8,666*	*220*	*219*	-	-	-	-

The amounts shown in item 3.2 “Financial derivatives without underlying security - Options” of the above table include data about the remaining term of the cap options, calculated as a series of forward rate agreement options equal in number of the options for which the bank receives (pays) the fixed rate and pays (receives) the fair value of the indexed reference rate. These options are implicitly included in the loans granted to customers and are tied to the variability of interest rates.

Item 3.2. "Financial derivatives without underlying security - Other derivatives" includes futures comprised in the assets managed by Epsilon SGR S.p.A.

2. Regulatory trading book: breakdown of exposure in equity instruments and share indexes by main stock exchange

Operation type/Stock exchange	Listed						Unlisted
	ITALY	U.S.A.	UK	Switzerland	Germany	Other	
A. Equity instruments	**244**	**4,528**	**-**	**-**	**484**	**1,146**	**-**
- Long positions	*244*	*4,528*	-	-	*484*	*1,146*	-
- Short positions	-	-	-	-	-	-	-
B. Unsettled trading on equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Long positions	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-
C. Other derivatives on equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Long positions	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-
D. Derivatives on share indexes	**-**	**-**	**-**	**-**	**-**	**1**	**-**
- Long positions	-	-	-	-	-	*1*	-
- Short positions	-	-	-	-	-	-	-

In the trading book, the bank has one future on the stock indexes with underlying value traded on the US market.

3. Regulatory trading book: internal models and other methodologies for sensitivity analyses

The bank does not use internal models to quantify the capital absorbed by market risks. As shown above, for management purposes only, the daily VaR of the trading book not included in the mandate is measured.
During 2021, the VaR of the trading book (part managed internally, excluding management mandates) recorded a maximum value of approximately € 505 thousand, while the average value was around € 37 thousand. At 31 December 2021, the VaR of the internally managed trading book was € -18 thousand.
With respect to the asset management financial instruments, present exclusively in the trading book, the manager provides the 1-month VaR with a probability level of 99% on a daily basis and the stress test results at each month end. Over the course of the year the VaR limits set by the management mandates were always respected.

2.2 Interest rate and price risk - banking book

Qualitative disclosure

A. General aspects, management and measurement of interest rate and price risks

The banking book includes all financial assets and liabilities not included in the trading book. The duration mismatching of funding and lending products generates interest rate risk.

The Risk Management Unit measures the banking book's interest rate risk every quarter using the A2 matrix data and every month for internal monitoring purposes using Prometeia's Ermas application. The unit applies the methodology required by the prudential supervisory instructions (Bank of Italy Circular no. 285/2013).

The methodology used to quantify the exposure to interest rate risk involves the distribution of the assets and liabilities by maturity or interest review date and, to determine the internal capital, simulates the provisions of the legislation, applying the shocks envisaged by the regulations to quantify the internal capital.

In addition to the application of the parallel shock +/- 200 bps, the bank assesses the impact on the interest rate risk deriving 1) from the annual changes in interest rates recorded in a 6-year observation period, considering alternatively the 1st percentile (down) or the 99th (up); 2) from the additional scenarios envisaged by the EBA guidelines (steepener, flattener, short rates shock up and short rates shock down).

For management and monitoring purposes only, the bank's interest rate risk is subjected to additional quarterly analyses to assess the impact of changes in interest rates on profit (repricing gap) and the economic value of the bank's assets and liabilities (duration gap) using the Ermas application. The analyses also include on-demand items and assessing the stickiness effect (i.e., how long it takes to adapt to changes in interest rates) and the beta effect (how changes in market rates are absorbed by rates applied to on-demand products).

In order to ensure the proper monitoring of the banking book's interest rate risk, it is measured every month while monthly and quarterly reports are prepared for the general manager and the board of directors, respectively.

Quantitative disclosure

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency denomination: Euro

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	Open term
1. Assets	**168,216**	**650,167**	**957,795**	**44,037**	**210,498**	**196,267**	**129,632**	**-**
1.1 Debt instruments	-	81,350	933,348	-	25,878	115,703	45,698	-
- with early repayment option	-	*8,153*	-	-	-	-	-	-
- other	-	*73,197*	*933,348*	-	*25,878*	*115,703*	*45,698*	-
1.2 Financing to banks	1	20,195	-	-	-	-	-	-
1.3 Financing to customers	**168,215**	**548,622**	**24,447**	**44,037**	**184,620**	**80,564**	**83,934**	**-**
- current accounts	*88,546*	*448*	*138*	*710*	*7,180*	*5,343*	-	-
- other financing	*79,669*	*548,174*	*24,309*	*43,327*	*177,440*	*75,221*	*83,934*	-
- with early repayment option	*13,761*	*541,639*	*23,613*	*42,774*	*169,062*	*70,265*	*83,918*	-
- other	*65,908*	*6,535*	*696*	*553*	*8,378*	*4,956*	*16*	-
2. Liabilities	**2,029,154**	**504,499**	**10,298**	**15,479**	**39,471**	**12,632**	**32,965**	**-**
2.1 Due to customers	2,027,840	3,701	4,868	1,721	12,430	12,632	32,965	-
- current accounts	*1,929,104*	-	-	-	-	-	-	-
- other liabilities	*98,736*	*3,701*	*4,868*	*1,721*	*12,430*	*12,632*	*32,965*	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*98,736*	*3,701*	*4,868*	*1,721*	*12,430*	*12,632*	*32,965*	-
2.2 Due to banks	407	490,000	-	-	-	-	-	-
- current accounts	*407*	-	-	-	-	-	-	-
- other liabilities	-	*490,000*	-	-	-	-	-	-
2.3 Debt instruments	907	10,798	5,430	13,758	27,041	-	-	-
- with early repayment option	-	*6,043*	*3,802*	*10,209*	*27,022*	-	-	-
- other	*907*	*4,755*	*1,628*	*3,549*	*19*	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**82,047**	**17,124**	**11,948**	**48,434**	**15,937**	**6,599**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	82,047	17,124	11,948	48,434	15,937	6,599	-
- Options	**-**	***82,047***	***17,124***	***11,948***	***48,434***	***15,937***	***6,599***	**-**
+ long positions	-	*3,221*	*5,027*	*11,937*	*48,394*	*15,884*	*6,581*	-
+ short positions	-	*78,826*	*12,097*	*11*	*40*	*53*	*18*	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	***12,459***	***9,140***	**-**	**-**	**-**	***40***	***3,280***	**-**
+ long positions	-	*9,140*	-	-	-	*40*	*3,280*	-
+ short positions	*12,459*	-	-	-	-	-	-	-

Currency denomination: Other currencies

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	Open term
1. Assets	**-**	**132**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	-	-	-	-	-	-	-	-
1.3 Financing to customers	**-**	**132**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts	-	-	-	-	-	-	-	-
- other financing	-	*132*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*132*	-	-	-	-	-	-
2. Liabilities	**4,511**	**77**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	4,511	-	-	-	-	-	-	-
- current accounts	*4,506*	-	-	-	-	-	-	-
- other liabilities	*5*	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*5*	-	-	-	-	-	-	-
2.2 Due to banks	-	77	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other liabilities	-	*77*	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analyses

The impact on interest income of a ± 1% shock in interest rates and a steepener shock is calculated using the Ermas software for management purposes, assuming that the maturity dates do not change for a year.

The analyses carried out consider these captions' trends ("behavioural model") with assessment of the stickiness effect (i.e. how long it takes the bank interest rates to adapt to changes in market rates, or the average repricing times), the asymmetry in the convergence (i.e. the different speeds of adjustment based on whether the market rate increases or decreases) and the beta effect (i.e. the elasticity of the bank rates, which indicates how the changes in market rates are absorbed by the interest rates of the on-demand products offered by the bank). For comparative purposes, the bank checks the impact of the shocks even when modelling does not take place.

At 31 December 2021, the difference in net interest income (on operating data and with modelling of on-demand items) amounts to approximately € 8.5 million in the event of a parallel shift of +100 bps and € -2.5 million in the event of a shift to -100 bps; the difference in net interest income deriving from the simulation of the steepener shock is also negative, which, considering the EBA floor, comes to € 2.5 million.

2.3 Currency risk

Qualitative disclosure

A. General aspects, management and measurement of currency risk

Currency risk is the risk that the bank may incur losses due to adverse changes in foreign exchange rates affecting its positions.

The bank's currency risk mainly arises on its transactions in foreign currency securities held in the asset management portfolio. Foreign currency activities also include spot and forward purchases and sales with customers, which are concurrently matched on the market by agreeing very short-term short/long positions that give rise to immaterial price risk. The bank mainly operates in the US dollar.

The relevant operating offices that carry out first level controls monitor the currency positions. The Risk Management Unit performs checks of the internal limits once a month. The bank does not usually take on large risky positions in the currencies market.

Internal models to calculate the capital requirements for market risk are not used.

B. Currency hedges

The bank does not agree specific currency hedges. For operating and economic efficiency purposes, transactions with customers are not immediately matched on the market but may be offset, including cumulatively, during the same day or the following day, against other transactions in the same currency of a spot or forward nature and an opposite sign.
Currency risk hedges for the assets managed by the external manager are managed through hedges agreed by Epsilon SGR S.p.A.

Quantitative disclosure

1. Breakdown of assets, liabilities and derivatives by currency

Tax base	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**12,003**	**363**	**141**	**140**	**269**	**8,101**
A.1 Debt instruments	3,566	-	-	-	-	7,348
A.2 Equity instruments	4,420	-	-	-	44	-
A.3 Financing to banks	3,884	363	141	140	225	753
A.4 Financing to customers	133	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**142**	**41**	**10**	**16**	**38**	**31**
C. Financial liabilities	**3,454**	**195**	**77**	**161**	**256**	**446**
C.1 Due to banks	-	-	77	-	-	-
C.2 Due to customers	3,454	195	-	161	256	446
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**12,554**	**3**	**2,412**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ *long positions*	-	-	-	-	-	-
+ *short positions*	-	-	-	-	-	-
- Other derivatives	12,554	3	2,412	-	-	-
+ *long positions*	*3,452*	-	*2,412*	-	-	-
+ *short positions*	*9,102*	*3*	-	-	-	-
Total assets	**15,597**	**404**	**2,563**	**156**	**307**	**8,132**
Total liabilities	**12,556**	**198**	**77**	**161**	**256**	**446**
Difference (+/-)	**3,041**	**206**	**2,486**	**- 5**	**51**	**7,686**

2. Internal models and other methodologies for sensitivity analyses

The bank does not use internal models to measure currency risk or other methodologies for sensitivity analyses.

SECTION 3 – DERIVATIVES AND HEDGING POLICIES

3.1 - Trading derivatives

A. Financial derivatives

A.1 Trading financial derivatives: reporting-date notional amounts

Underlying asset / Derivative	31/12/2021				31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt instruments and interest rates	**-**	**-**	**20,544**	**1,698,400**	**-**	**-**	**14,878**	**26,572**
a) Options	-	-	12,011	1,695,400	-	-	14,878	-
b) Swaps	-	-	8,533	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	3,000	-	-	-	26,572
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share index	**-**	**-**	**-**	**13,321**	**-**	**-**	**-**	**4,920**
a) Options	-	-	-	13,320	-	-	-	4,918
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	1	-	-	-	2
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**14,498**	**-**	**-**	**-**	**12,527**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	14,498	-	-	-	12,527	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**35,042**	**1,711,721**	**-**	**-**	**27,405**	**31,492**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

Type of derivative	31/12/2021				31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	9	235	-	-	7	7
b) Interest rate swaps	-	-	410	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	115	-	-	-	152	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**534**	**235**	**-**	**-**	**159**	**7**
1. Negative fair value								
a) Options	-	-	8	-	-	-	7	2
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	72	-	-	-	153	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**80**	**-**	**-**	**-**	**160**	**2**

A.3 OTC financial derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Government and central banks	Banks	Other financial companies	Other
Contracts not covered by netting agreements				
1. Debt instruments and interest rates		**15,388**	**-**	**5,582**
- notional amount		14,969	-	5,574
- positive fair value		419	-	-
- negative fair value		-	-	8
2. Equity instruments and share indexes		**-**	**-**	**-**
- notional amount		-	-	-
- positive fair value		-	-	-
- negative fair value		-	-	-
3. Currencies and gold		**13,194**	**-**	**1,491**
- notional amount		13,037	-	1,461
- positive fair value		114	-	1
- negative fair value		43	-	29
4) Commodities		**-**	**-**	**-**
- notional amount		-	-	-
- positive fair value		-	-	-
- negative fair value		-	-	-
5. Other		**-**	**-**	**-**
- notional amount		-	-	-
- positive fair value		-	-	-
- negative fair value		-	-	-
Contracts covered by netting agreements				
1. Debt instruments and interest rates	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2. Equity instruments and share indexes	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5. Other	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

Underlying / Residual life	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
A.1 Financial derivatives on debt instruments and interest rates	2,697	6,857	10,990	20,544
A.2 Financial derivatives on equity instruments and equity indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	14,498	-	-	14,498
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
31/12/2021	**17,195**	**6,857**	**10,990**	**35,042**
31/12/2020	**14,961**	**8,016**	**4,428**	**27,405**

B. Credit derivatives

The bank has not agreed credit derivatives.

3.3 Other disclosures on trading and hedging derivatives

A. Financial and credit derivatives

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

Underlying assets	Government and central banks	Banks	Other financial companies	Other
A. Financial Derivatives				
1. Debt instruments and interest rates	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2. Equity instruments and share indexes	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5. Other	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit Derivatives				
1. Purchase and protection	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2. Sale and protection	**-**	**-**	**-**	**-**
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

SECTION 4 - LIQUIDITY RISK

Qualitative disclosure

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the bank is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to free its assets (market liquidity risk), thus jeopardising daily operations or its financial position.

The bank's liquidity risk management strategy is based on ensuring a steady flow of liquidity, as required by the supervisory regulations and its healthy and prudent management policies. The "Liquidity risk governance and management policy", whose latest version was approved by the board of directors in June 2018, defines the bank's liquidity and funding management policies, the risk objectives and the main stages of the risk management and monitoring process, specifying the roles and responsibilities of the relevant internal bodies and units. The document also includes the contingency funding plan that sets out the strategies for handling any liquidity crises and the procedures for obtaining funds in the case of emergency.

The Finance Unit Head is in charge of managing liquidity, including by investing any surplus on the interbank deposit market. The Risk Management Unit regularly monitors the overall liquidity conditions and reports to the general manager.

Regular risk monitoring requires the monthly check that the limits set by regulations and in the RAF by the board of directors are complied with in respect of short-term and structural liquidity and the ordinary customers' lending/liquidity ratio.

Prometeia's Ermas application feeds the internal risk assessment model, which has differentiated weighing ratios depending on the type of asset, liability and commitment and classifies each item into residual maturity categories (maturity ladder). Any differences and certain synthetic indexes are used to assess the structural liquidity situation over the entire timeframe.

Once a month, the bank checks the regulatory operating liquidity ratio (LCR - liquidity coverage ratio), which measures its ability to cover its forecast net cash outflows over 30 days, and the net stable funding ratio which estimates the degree of coverage of medium-term funding through stable forms of funding.

Both ratios were always stable and higher than the regulatory and internal limits, set by the RAF, in the financial year in question. The highly liquid assets, which are the numerator in the LCR ratio, mainly consist of uncommitted government bonds plus other liquidity items and the bank's exposure to the central bank which can be monetised in stress conditions.

In addition, after enactment of the Commission Implementing Regulation (EU) no. 313/2016 about additional liquidity monitoring metrics (ALMM), subsequently transposed by the seventh update to Circular no. 286, the bank supplemented its liquidity risk monitoring procedures to include the ALMM report, prepared once a quarter using the Ermas application.

The adoption on 20 May 2019 of the Risk Reduction Package, namely the package of regulations that reviews the current governance of the share capital of banks contained in Directive CRD4 (Directive (EU) no. 36/2013) and in the CRR (Capital Requirement Regulation 575/2013), led to the introduction, on 30 June 2021, of the net stable funding ratio in compliance with the new methodology (NSFR CRR2).

The Risk Management Unit also performs monthly stress tests and the results are used to define ex-ante limits and ex-post assessments of their adequacy, to plan and undertake transactions to remedy any differences and to define and periodically overview the liquidity risk mitigation systems.

The bank uses a judgement-based approach to estimate cash flows, based on subjective forecasts drawing on past experience and the guidance received from the supervisory authorities. Identification of appropriate risk factors is essential for the suitability of the stress tests. Given the bank's operations and related vulnerabilities, the main liquidity risk factors relate to its capacity to fund itself on the interbank and retail markets, to cover on-demand liabilities, the use of credit facilities granted and the usability of those received, losses due to non-repayment of large positions and the degree of liquidability of its assets.

Based on these factors, the Risk Management Unit uses stress tests that include increases in the haircuts of highly liquid assets and cash outflows of the maturity ladder based on scenarios that it intends to analyse (increase in withdrawals by customers and greater use of current account credit facilities).

Over the course of 2021, the data of the internal structural liquidity model showed the bank's good liquidity position, confirmed by the regulatory ratios.

At 31 December 2021, the top 15 customers (excluding banks) accounted for roughly 18.4% of the direct funding (calculated using carrying amounts).

Impact arising from the COVID-19 pandemic

Over the course of 2021, the COVID-19 pandemic had no significant effects on the liquidity.

Quantitative disclosure

1. Breakdown of financial assets and liabilities by residual contractual maturity

The breakdown of financial assets and liabilities by residual contractual maturity show an overall balance both in relation to deposits/financing and spot and forward exchange rates.

Therefore, currency risks are immaterial thanks to the bank's careful management of foreign currency.

Currency denomination: Euro

Tax base/Time frame	on demand	after 1 to 7 days	after 7 to 15 days	after 15 days to 1 month	after 1 to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	After 5 years	Open term
Assets	**460,696**	**1,200**	**3,676**	**23,172**	**44,460**	**73,278**	**110,502**	**1,249,901**	**792,265**	**20,195**
A.1 Government bonds	-	-	161	-	426	2,790	4,804	704,030	470,663	-
A.2 Other debt instruments	-	-	38	83	1,448	6,318	7,564	55,324	15,572	-
A.3 OEIC units	7,722	-	-	-	-	-	-	-	-	-
A.4 Financing	452,974	1,200	3,477	23,089	42,586	64,170	98,134	490,547	306,030	20,195
- Banks	*325,965*	-	-	-	-	-	-	-	-	*20,195*
- Customers	*127,009*	*1,200*	*3,477*	*23,089*	*42,586*	*64,170*	*98,134*	*490,547*	*306,030*	-
Liabilities	**2,029,154**	**423**	**707**	**3,547**	**9,883**	**10,698**	**15,925**	**529,286**	**45,590**	**-**
B.1 Deposits and current accounts	2,026,511	146	128	576	2,612	3,581	-	-	-	-
- Banks	*407*	-	-	-	-	-	-	-	-	-
- Customers	*2,026,104*	*146*	*128*	*576*	*2,612*	*3,581*	-	-	-	-
B.2 Debt instruments	907	277	576	2,971	7,034	5,572	13,958	26,857	-	-
B3 Other liabilities	1,736	-	3	-	237	1,545	1,967	502,429	45,590	-
Off-statement of financial position transactions	**18,109**	**525**	**468**	**6,503**	**6,595**	**440**	**438**	**475**	**12,001**	**-**
C.1 Financial derivatives with exchange of capital	-	525	468	6,503	6,595	440	438	-	-	-
- Long positions	-	*318*	*247*	*6,165*	*1,936*	*220*	*219*	-	-	-
- Short positions	-	*207*	*221*	*338*	*4,659*	*220*	*219*	-	-	-
C.2 Financial derivatives without exchange of capital	**661**	-	-	-	-	-	-	-	-	-
- Long positions	*653*	-	-	-	-	-	-	-	-	-
- Short positions	*8*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**12,476**	**-**	**-**	**-**	**-**	**-**	**-**	**475**	**12,001**	**-**
- Long positions	-	-	-	-	-	-	-	*475*	*12,001*	-
- Short positions	*12,476*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	4,972	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

At the reporting date, the bank had received guarantees of €16,338 thousand which are not shown in the above table as there is no evidence to reasonably suggest that they will be enforced or when they will be used. Guarantees enforced in the last four years are as follows:
2018: four positions for a total of €128 thousand;
2019: two positions for a total of € 31 thousand;
2020: five positions for a total of € 56 thousand;
2021: one position for a total of € 12 thousand.

Currency denomination: Other currencies

Tax base/Time frame	on demand	after 1 to 7 days	after 7 to 15 days	after 15 days to 1 month	after 1 to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	After 5 years	Open term
Assets	**5,513**	**-**	**32**	**41**	**246**	**85**	**101**	**9,309**	**1,306**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	8	41	137	85	101	9,309	1,306	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	5,513	-	24	-	109	-	-	-	-	-
- Banks	*5,513*	-	-	-	-	-	-	-	-	-
- Customers	-	-	*24*	-	*109*	-	-	-	-	-
Liabilities	**4,511**	**-**	**-**	**77**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	4,506	-	-	77	-	-	-	-	-	-
- Banks	-	-	-	*77*	-	-	-	-	-	-
- Customers	*4,506*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B3 Other liabilities	5	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**525**	**468**	**6,503**	**6,595**	**440**	**438**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	525	468	6,503	6,595	440	438	-	-	-
- Long positions	-	*207*	*221*	*338*	*4,659*	*220*	*219*	-	-	-
- Short positions	-	*318*	*247*	*6,165*	*1,936*	*220*	*219*	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

SECTION 5 - OPERATIONAL RISK

Qualitative disclosure

A. General aspects, management and assessment of operational risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors. This risk includes losses caused by fraud, human error, business discontinuity, system breakdowns, contractual defaults and natural disasters. It also comprises legal risk but not strategic or reputational risk.

In line with the proportionality principle, the bank uses the basic method (basic indicator approach of 15% of the average total income for the last three years) to measure its capital requirements to cover operational risk. The operational risk assessment is also integrated annually through an internal qualitative valuation of the losses incurred and the definition of the residual risk.

The Risk Management Unit was defined in the "Operational risk mitigation policy". Specifically:

- the board of directors defines the guidelines to control and mitigate operational risk, regularly checking that they are correctly implemented and reflect the bank's operations as well as the transparent and appropriate allocation of duties and responsibilities;
- the general manager defines the operating rules and practices, activities, procedures and most appropriate units to manage the operational risk mitigation process assisted by the competent units and in line with the policies set by the board of directors and the guidelines of the executive committee; they also check their suitability over time in terms of the adequacy and functionality and ensures steps are taken to eliminate any weaknesses or dysfunctions;
- as a control body, the board of statutory auditors monitors the adequacy of the risk management and control system and internal controls;
- the Risk Management Unit designs and updates the qualitative methods to measure operating risks alongside the competent offices;
- the Internal Audit Unit carries out regular audits of the operational risk management system.

With respect to the operational risk mitigation tools, the bank focused on the transfer of risk through the agreement of insurance policies, suitable for low frequency events with a high financial impact. These policies cover risks of losses from:

- fraud or misconduct;
- damage to third parties caused by errors made during banking operations;
- non-intentional violations of legal, regulatory and by-laws obligations by directors and specific employees;
- third-party fraud;
- damage to property and equipment as a result of natural or criminal events;
- accidents and slight or serious injuries to third parties inside the bank's premises.

Impact arising from the COVID-19 pandemic

The COVID-19 pandemic can be considered a systemic event, with possible impact on all risk classes envisaged by the operational risk management framework. For example, this includes the losses deriving from internal fraud, external fraud, human error, interruptions to business, unavailability of systems, breaches of contract and natural disasters. The main forms of risk that could emerge (some already have) within the pandemic context are:

• external offences: losses linked to IT fraud that causes damage to customers with an element connected to the emergency in the fraudulent scheme (e.g. misdirected solidarity payments) and/or other cybercrime caused by the increased vulnerability of IT systems due to the new operating context (e.g. connections via external networks, activation of new emergency IT services, incorrect use of sharing technologies);

• personnel: sanctions and/or disputes with employees who might be infected and/or with family members due to failure to comply with the legislative provisions imposed by the presidential decree and/or other legislation of reference;

• customers, products and operating practices: sanctions and/or disputes with customers linked to issues associated with non-compliance with legislative provisions (e.g. moratoria and/or other provisions for risks and charges envisaged by the "Cura Italia" decree);

• systems: claims for damage compensation due to interruption/malfunction of the services offered to customers and other counterparties caused by the unavailability of IT systems, internal personnel and/or third parties (e.g. suppliers and/or outsourcers) caused by the inadequacy of business continuity plans and/or contingency measures;

• internal offences: losses linked to internal fraud made possible by the decline in efficacy of the system of controls due to the launch of innovative remote working methods and/or the closure of branches (e.g. access to guarantee funds, succession practices).

With the aim of minimising the probability of occurrence of said risks and/or mitigating the possible impacts arising from them, a specific crisis committee was promptly launched (with daily meetings at the start of the crisis) to manage and coordinate the implementation of necessary mitigation measures (e.g. adoption of codes of conduct defined in compliance with the provisions of the Italian Ministry of Health and the World Health Organization, adoption of specific hygiene measures, increasing communication with employees/customers, launch of innovative operating models for the management of remote working, increasing technological infrastructure in support of remote activities, cyber security controls, awareness systems related to IT security, definition of specific internal rules to regulate new activities and related additional controls, introduction of additional electronic controls and measures within IT procedures, etc.). The evolution over time of certain risks, the efficacy of the existing controls and the additional measures that may become necessary, will be continuously monitored to intercept any changes in the risk profile.

Legal risks

Legal risk is identified as the risk of impairment or reduction in value of the assets due to inadequate or incorrect contracts or legal documents, which could lead to significantly sizeable disputes. This risk is a manifestation of operational risk.

Situations that lead to legal risks principally relate to operations covered by the main special regulations such as, specifically, entities' administrative liability (Legislative decree no. 231/2001), occupational safety (Legislative decree no. 81/2008), building site regulations (Legislative decree no. 494/96), privacy (Legislative decree no. 196/2003), anti-money laundering (Legislative decree no. 231/2007), banking transparency, usury, investment services, etc.

With respect to Legislative decree no. 231/01, the bank implemented the organisational model proposed by the ABI, approved by the Ministry for Justice, and set up a supervisory body to ensure the working and compliance of the models. Since March 2014, the board of statutory auditors has carried out the supervisory body's duties, with the assistance of the pro tempore heads of the bank's control units: Internal Audit, Risk Management, Compliance and AML.

The Compliance Unit is responsible for monitoring legal risks and the bank's compliance with external and internal rules and regulations. It also checks new products/services' compliance in order to identify any potential risks in advance and make the necessary amendments.

The "Compliance Unit's Regulation" regulates the risk of non-compliance and its management as well as the methods adopted by the Unit to carry out its duties. Pursuant to Bank of Italy Circular no. 285/13, the regulation defines the scope of the Unit's duties and specific controls, as well as a special function to perform the compliance tests.

The Anti-Money Laundering Unit performs ongoing controls and encourages a culture of compliance with internal and external regulations.

With respect to the correct management and keeping of the centralised computer database, the Unit ensures the network is periodically monitored and kept aware of the issue, assisted by other general management units.

The main legal disputes are described below.

Compound interest disputes

In line with the banking sector's general practice, the bank does not agree with the decision reiterated by the Supreme Court since 1999 which confirms the "negotiating" rather than the "regulatory" nature of the quarterly capitalisation clause for interest expense and, therefore, the illegality of its application to bank current accounts. The bank maintains its opinion in court as well.

The banks' position is supported by numerous merits rulings which emphasise different legal points, which are valid, and that may lead the Supreme Court to rethink its position in the future.

At present, the bank is obliged to make adequate provision for its ongoing disputes with customers about compound interest, based on the calculations made when the dispute arose.

Claw-back claims

The bank assesses individual requests for the return of amounts from the official receivers, estimating the inherent risks. It assesses the cost/benefits ratio only when it deems it more useful and proposes out-of-court settlements to the counterparties, which are often successful and avoid going to court.

Should a legal proceeding be commenced, the bank evaluates its possibility of losing, updates its risk estimates and defends itself suitably in court, also based on its understanding of the counterparty's insolvency. Once such legal proceedings commence, provision is made for the risks related to the amounts deemed re-obtainable based on internal assessments.

Disputes involving securities

Supported by a number of court rulings in its favour, the bank reviews each dispute and only makes adequate provision when it deems that it may effectively have to pay.

Moreover, the number of proceedings commenced against the bank for the acquisition of securities by customers (mostly Argentine and Parmalat bonds) is very modest compared to the number of transactions performed. The bank does not expect it to increase significantly.

PART F
Equity

Section 1 - Equity

Qualitative disclosure

Regulation (EU) no. 575/2013 (CRR) and Directive no. 2013/36/EU (CRD IV) of 26 June 2013 covering banks and investment companies became effective on 1 January 2014. They transposed the supervisory standards for banks defined by the Basel Committee in the European Union.

On 19 December 2013, Bank of Italy published Circular no. 285 "Prudential reporting instructions for banks", setting out guidance on how to implement CRD IV. The central bank subsequently issued Circular no. 286 "Instructions for preparing prudential reports for banks and investment companies", which regulates the prudent supervisory reports prepared on a separate and consolidated basis since1 January 2014.

Equity management covers all the policies and decisions necessary to ensure that the bank's own funds are adequate to cover its assets and risks. The bank has to comply with capital adequacy requirements established by the above regulations.

Checks of compliance with the minimum prudential requirements are ongoing and consider possible changes in risks and the Risk Appetite Framework (RAF).

Moreover and in accordance with the ECB's recommendation of 28 January 2015, compliance with the minimum requirements is also ensured by observance of a pay-out policy tied to attainment of the above-mentioned minimum capital requirements.

The directors' report discloses and comments on the main financial statements indicators which include, in particular, the capitalisation ratios, useful to analyse the bank's equity on a qualitative basis.

Since 1 January 2014, the Italian banks are required to have a minimum CET1 ratio of 4.5%, a TIER 1 ratio of 5.5% (6% from 2015) and a Total Capital Ratio of 8%. These minimum requirements have been supplemented by the following CET1 buffers: Capital conservation buffer of 2.5% from 1 January 2014 and, from 2016, Countercyclical buffer in periods of high credit growth and Systematic buffer for major international or local banks. Non-compliance with the sum of these buffers (combined requirement) leads to limits on distributions and the requirement to introduce a capital conservation plan.
The SREP requirements set out by the Bank of Italy for 2021 are listed below:

- Common Equity Tier 1 Ratio (CET1R)..................... 8.500%
- TIER1R.. 10.350%
- Total capital ratio (TCR).. 12.850%

On 12 December 2017, the European Parliament and Council issued Regulation (EU) no. 2017/2395, amending Regulation (EU) no. 575/2013 (CRR) as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, introducing article 473-bis "introduction of IFRS 9" which give banks the possibility of mitigating the impact of FTA over a transitory period of five years (from 2018 to 2022), by using decreasing rates in order to sterilise the effect on CET1. The bank chose to apply the "static approach" to recognise the IFRS 9 FTA at 01/01/2018 adjustments to the IAS 39 impairment losses at 31/12/2117. Banks opting for this transitory treatment from 2018 are nevertheless required to provide disclosures about available capital and the fully loaded CET1 ratio in accordance with the supervisory guidelines.

Quantitative disclosure

B.1 Equity: breakdown

Tax base/Amount	Balance at 31/12/2021	Balance at 31/12/2020
1. Share capital	**39,241**	**39,241**
2. Share premium	**34,660**	**34,660**
3. Reserves	**77,391**	**73,822**
- income-related	71,261	67,692
a) legal reserve	*20,066*	*19,602*
b) statutory reserve	*64,460*	*61,355*
c) treasury shares	-	-
d) other	*- 13,265*	*- 13,265*
- other	6,130	6,130
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves	**15,520**	**15,817**
- Equity instruments at fair value through other comprehensive income	- 238	- 223
- Hedges of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	3,596	3,655
- Property, equipment and investment property	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange gains (losses)	-	-
- Non-current assets held for sale and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains (losses) on defined benefit pension plans	- 2,960	- 2,737
- Portion of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	15,122	15,122
7. Profit for the year	**15,023**	**4,632**
Total	**181,835**	**168,172**

Item “3. Reserves – d) other” of €13,265 thousand includes the fair value losses of equity generated during the first-time adoption of IAS (FTA) for €2,860 thousand, and the fair value losses from FTA generated following introduction of IFRS 9 for €10,405 thousand. The item “Other reserves” of €6,130 thousand relates to the contribution reserve required by Law no. 218/90

B.2 Fair value reserve: breakdown

Asset / Amount	31/12/2021		31/12/2020	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	3,596	-	3,656	-
2. Equity instruments	91	329	91	315
3. OEIC units	-	-	-	-
4. Financing	-	-	-	-
Total	**3,687**	**329**	**3,747**	**315**

B.3 Fair value reserve: changes

Tax base / Amount	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**3,656**	**- 224**	**-**	**-**
2. Increases	**3,631**	**14**	**-**	**-**
2.1 Fair value gains	3,529	14	-	-
2.2 Impairment losses for credit risk	49	-	-	-
2.3 Reclassification of fair value losses to profit or loss on sale	-	-	-	-
2.4 Transfers to other equity reserves (equity instruments)	-	-	-	-
2.5Other increases	53	-	-	-
3. Decreases	**3,691**	**29**	**-**	**-**
3.1 Fair value losses	1,807	25	-	-
3.2 Impairment gains for credit risk	-	-	-	-
3.3 Reclassification of fair value gains to profit or loss	1,884	-	-	-
3.4 Transfers to other equity reserves (equity instruments)	-	-	-	-
3.5Other increases	-	4	-	-
4. Closing balance	**3,596**	**- 239**	**-**	**-**

B.4 Actuarial reserves: changes

	Fip (pension fund)	Post-employment benefits
1. Opening balance	**- 1,658**	**- 1,080**
2. Increases	**37**	**48**
2.1 Actuarial gains	-	-
2.2 Change in deferred tax assets	37	48
3. Decreases	**133**	**174**
3.1 Actuarial losses	133	174
3.2 Change in deferred tax liabilities	-	-
4. Total	**- 1,754**	**- 1,206**

Section 2 – Own funds and ratios

More information is available in the disclosure to the public on own funds and capital adequacy ("Third Pillar").

2.1 Own funds

A. Qualitative disclosure.

The reforms of the Basel Committee agreements (Basel 3), aimed at strengthening banks' ability to absorb shocks caused by financial and economic tensions, became part of the EU legislation on 1 January 2014.

The Committee maintained the three-pillar approach at the base of the previous capital agreement (Basel 2), which it integrated and strengthened to improve the amount and quality of intermediaries' capital. It also introduced countercyclical supervisory tools and rules about liquidity risk management and financial leverage containment.

The above EU laws were integrated by the instructions issued by Bank of Italy in Circular no. 285 of 17 December 2013, which grouped the prudential supervisory regulations applicable to banks and Italian banking groups.

The transition to IFRS 9 on 1 January 2018 affected the bank's regulatory capital and prudential ratios.

Specifically:

- The increase in impairment losses reduced CET1 as a result of the decrease in equity:
- the application of phasing-in rules sterilised the effect of the 2021 impairment losses on loans and receivables by 50%;
- The RWA on standard positions reduced thanks to the increase in impairment losses, but they are concurrently affected by the application of the scaling-factor under the phased-in rules.

Tax base / Amount	IFRS9 31/12/2021	
	fully loaded	phased in
A.CET1 before application of prudential filters (excluding IFRS 9 impact)	186,162,059	186,162,059
A1. IFRS 9 impact	- 10,405,217	- 10,405,217
B.CET1 prudential filters (+/-)	- 1,046,152	- 1,046,152
C.CET1 including the elements to be deducted and the effects of the transitional regime (A +/- B)	174,710,690	174,710,690
D.Elements to be deducted from CET1	131,428	131,428
E.Transitional regime - Impact on CET1 (+/-)	-	5,235,239
F.Total CET1 (C– D +/-E)	174,579,262	179,814,501
G.AT1 including the elements to be deducted and the effects of the transitional regime	-	-
H.Elements to be deducted from AT1	-	-
I.Transitional regime – Impact on AT1 (+/-)	-	-
L.Total AT1 (G - H +/-I)	-	-
M.T2 including the elements to be deducted and the effects of the transitional regime	-	-
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)	174,579,262	179,814,501
C.1 Risk-weighted assets	907,821,761	913,760,150
C.2 CET1/Risk-weighted assets (CET1 ratio)	19.23%	19.68%

The above table shows CET1 at 31 December 2021 in accordance with the transitory phasing-in rules provided for by article 473-bis of the CRR.

Accordingly, the IFRS 9 FTA impact on the CET1 ratio at 31 December 2021 is:

-45 bps (fully loaded approach)

B. Quantitative disclosure

Tax base / Amount	Total at 12/2021	Total at 12/2020
A. Common Equity Tier 1 (CET1) before application of prudential filters	**175,757**	**167,109**
including CET1 instruments covered by the transitional measures	-	-
B. CET1 prudential filters (+/-)	**- 1,046**	**- 639**
C. CET1 including the elements to be deducted and the effects of the transitional regime (A +/- B)	**174,711**	**166,470**
D. Elements to be deducted from CET1	**- 131**	**- 107**
E. Transitional regime - Impact on CET1 (+/-)	**5,235**	**7,330**
E.2 Phased-in effect of IFRS 9 (article 473-bis of CRR)	**-**	**-**
F. Total CET1 (C– D +/-E+/-E.2)	**179,815**	**173,693**
G. Additional Tier 1 (AT1) including the elements to be deducted and the effects of the transitional regime	**-**	**-**
including AT1 instruments covered by the transitional measures	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime – Impact on AT1 (+/-)	**-**	**-**
L. Total AT1 (G - H +/-I)	**-**	**-**
M. Tier2 (T2) including the elements to be deducted and the effects of the transitional regime	**-**	**-**
including T2 instruments covered by the transitional measures	-	-
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)	**179,815**	**173,693**

The phased-in quantitative effect of IFRS 9 FTA is equal to the post-tax difference between the impairment losses recognised upon transition to IFRS 9 (€ 10,470 thousand) and 50% thereof (€ 5,235 thousand). Own funds include the portion of the profit for the year destined for the reserves equal to € 8,945 thousand

2.2 Capital adequacy

A. Qualitative disclosure

As shown in the table on the bank's risk-weighted assets and capital ratios, it had a CET1 ratio of 19.68%, a Tier 1 ratio of 19.68% and a Total capital ratio of 19.68% at 31/12/2021, well above the minimum mandatory requirements of CRR/CRD IV and Bank of Italy's instructions in its Circular no. 285/2013.

The prudential capital requirements of € 73.1 million refer to credit, operational and market risks. The lending business requires the largest portion of capital, with credit risk requirements of € 54.1 million.

Credit risk-weighted assets amount to € 669 million. There has been an increase in such assets for market risks.

B. Quantitative disclosure

Category/Amount	Unweighted amounts		Weighted amounts/requirements	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
A. EXPOSURES				
A.1 Credit and counterparty risk	**2,847,840**	**2,083,588**	**668,881**	**678,995**
1. Standard method	2,847,840	2,083,588	668,881	678,995
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**54,174**	**54,320**
B.2 Risk of adjustments to credit rating			**270**	**4**
B.3 Regulation risk			**-**	**-**
B.4 Market risk			**8,895**	**7,750**
1. Standard method			8,895	7,750
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**9,762**	**9,073**
1. Basic method			9,762	9,073
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**73,101**	**71,147**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**913,763**	**889,338**
C.2 CET1/risk-weighted assets (CET1 ratio)			**19.68%**	**19.53%**
C.3 Tier 1/risk-weighted assets (Tier 1 ratio)			**19.68%**	**19.53%**
C.4 Total own funds/risk-weighted assets (Total capital ratio)			**19.68%**	**19.53%**

PART H
Related party transactions

General information

The bank's board of directors has identified the entities that qualify as related parties pursuant to IAS 24.
They are:

1. Fondazione Cassa di Risparmio di Fermo, which holds 66.67% of the bank's ordinary shares and controls it;
2. Banca Intesa S.p.A., which holds 33.33% of the bank's ordinary shares and has significant influence thereover;
3. directors and managers, due to their strategic powers;
4. the statutory auditors, due to their supervisory powers;
5. spouses and immediate descendants of the parties listed in points 3 and 4;
6. subsidiaries of or companies over which the parties listed in points 3, 4 and 5 have significant influence.

The key managers' remuneration is given with separate mention of the directors' and statutory auditors' fees compared to the remuneration of directors which receive (as provided for by IAS 24.16) short-term benefits, which include direct and indirect costs, and termination benefits. All other forms of remuneration covered by the standard are excluded. Specifically, managers do not have incentive plans tied to profits, further to that provided for in the second level national labour contracts, or pension plans other than those existing for employees. There are no stock option plans.

Transactions undertaken by the bank with its related parties (as defined above) comply with the ruling legislation, are fair and take place at market prices.

The bank has not performed atypical or unusual transactions with related parties during the year, i.e., transactions that do not form part of its normal operations or that would have a significant impact on its financial position, results of operations and cash flows.

1. Key managers' remuneration (in Euros)

Tax base / Amount	Balances at 31/12/2021
C. Managers	**567,579**
Short-term benefits	537,457
Current termination benefits	30,122
Total termination benefits	*220,641*
A. Directors	**241,179**
Remuneration	241,179
B. Statutory auditors	**167,835**
Remuneration	167,835

(values expressed in Euros)

The short-term benefits of € 537,457 include salaries and indirect costs relating to two managers.

"Total termination benefits" for € 220,641 includes the costs Employee termination indemnities accrued in favour of the two managers mentioned above.

"Fees" relating to directors (€ 241 thousand) and statutory auditors (€ 168 thousand) include the amounts relating to their individual remits, therefore excluding the amounts paid to them as cost reimbursements and premiums for liability insurance.

2. Related party transactions (€'000)

	Assets	Liabilities	Costs	Revenue	Guarantees received
A. Directors	-	433	6	17	371
B. Statutory auditors	-	424	-	1	20
C. Managers	-	115	1	4	50
D. Family members	157	1,180	4	20	276
E. Other related parties	4,630	64,682	129	152	10,351
Total	**4,787**	**66,834**	**140**	**194**	**11,068**

Item "E. Other related parties" includes the relations held with the bank's investors and companies associated with the directors.

The bank holds voting rights greater than 10% on shares of companies acquired as collateral, as greater guarantee of credit, for which, in fact, it does not exercise the voting right at the shareholders' meeting.

The shares acquired as collateral are regularly indicated in the disclosure base as: "P – ownership structures of credit and financial institutions".

The above table does not indicate the exposures with those companies since by not exercising the voting right, there is no resulting influence.

PART M
Lease reporting

Section 1 – Lessee

Qualitative disclosure

IFRS16 applies to all types of contracts containing a lease, i.e. to contracts that provide the lessee with the right to control the use of an identified asset for a certain period of time (period of use) in exchange for a fee.

The analysis of the contracts falling within the scope of application of the standard mainly involved those related to: (i) property, (ii) vehicles and (iii) hardware.

Property lease contracts represent the most significant impact area of implementation since they make up 87% of the value of the rights of use. Vehicles make up a negligible amount of the right of use.

The impacts of the hardware segment are marginal.

All contracts refer to operational leases.

The property lease contracts mostly include properties used as offices or banking branches and have terms longer than 12 months and typically include options for renewal and termination that can be exercised by the lessor or lessee according to the law or specific contractual provisions. These contracts do not include the option to purchase at the end of the lease or significant reinstatement costs for the bank.

For vehicles, these are 4- or 5-year rental contracts referring to the company fleet provided to employees (private and business use) or the bank's company units.

The contracts related to electronic machinery range from 5 to 7 years. These long-term contracts have no options for renewal and do not include the option to purchase the asset.

During FTA of IFRS16, the bank adopted some simplifications set out by the standard under section C10 et seq.; in particular, short-term contracts (term equal to or less than 12 months) were excluded. The bank also opted not to apply the new standard to contracts with an overall term equal to or less than 12 months and to low-value contracts (underlying asset worth €5,000 or less when new). In this case, the fees related to these leases are recognised at cost – similarly to how they were recognised in the past. No short-term or low-value contracts were signed in 2021.

With specific reference to property leases, the bank decided to only consider the initial period of renewal as reasonably certain for all new contracts (including at the date of FTA). On the basis of the characteristics of the Italian lease contracts and the provisions of Law no. 392/1978, when signing a new lease contract with a contractual term of six years and the optional automatic renewal of the contract every six years, the overall duration of the lease will be at least twelve years. Future payment flows, pursuant to the accounting standard in question, have been subject to a discounting process in order to form the lease liability. The discounting rate takes into account the following considerations:

1) The interbank interest rates are very limited: the main refinancing rate is zero and the rate on deposits with the ECB is -0.50%;

2) The discounting effects are in any case modest even in the case of higher interest rates applied in light of the short-term trend of cash flows tied to these contracts;

3) High discounting rates would nullify the transparency of the balance of the values recognised in future financial statements, therefore imposing the need for a significant disclosure.

In consideration of the above, during FTA, the zero rate was considered when discounting the lease liabilities, meaning the discounting effect is null.

The quantitative impacts have been described in the relative sections in the notes to the financial statements, specifically:

- in Section 8 of Assets - Property, equipment and investment property;
- in Section 1 of Liabilities - Table 1.2 - Financial liabilities at amortised cost: breakdown of due to customers by product;
- in Section 1 of Liabilities - Table 1.2.1 - Lease liabilities: performance;
- in Section 1 of Liabilities - Table 1.2.2 - Lease liabilities: time bracket;
- in Section 12 of Profit or loss - Table 12.1 - Net impairment losses on property, equipment and investment property - Caption 180.

Annexes to the financial statements

The annexes include:

a) – a list of the sections and financial statements captions that have not been presented;

b) – a list of property;

c) – a list of HTCS equity investments;

d) – treasury and cash services.

Sections and tables not presented

This list shows the tables in the notes that have not been presented due to the lack of amounts/operating information:

PART B – NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 2 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

2.3 Financial assets at fair value through profit or loss: breakdown by product

2.4 Financial assets at fair value through profit or loss: breakdown by debtor/issuer

SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CAPTION 30

3.3a Financing at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total impairment losses

SECTION 5 - HEDGING DERIVATIVES

5.1 Hedging derivatives: breakdown by type and level

5.2 Hedging derivatives: breakdown by hedged item and type

SECTION 6 - MACRO-HEDGING ADJUSTMENTS TO FINANCIAL ASSETS

6.1 Adjustments to hedged assets: breakdown by hedged portfolio

SECTION 7 - EQUITY INVESTMENTS

7.1 Equity investments: information

7.2 Significant equity investments: carrying amount, fair value and dividends received

7.3 Significant equity investments: financial information

7.4 Non-significant equity investments: financial information

7.5 Equity investments: changes

7.6 Commitments for interests in jointly controlled entities

7.7 Commitments for investments in associates

7.8 Material restrictions

7.9 Other information

SECTION 8 – PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

8.3 Property and equipment: breakdown of revalued assets

8.4 Investment property: breakdown of assets measured at fair value

8.5 Inventories of property, equipment and investment property covered by IAS 2: breakdown

8.8 Inventories of property, equipment and investment property covered by IAS 2: changes

8.9 Commitments to purchase property, equipment and investment property

SECTION 9 - INTANGIBLE ASSETS

9.3 Intangible assets: other disclosures

SECTION 11 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS

11.1 Non-current assets classified as held for sale and disposal groups: breakdown by type

LIABILITIES

OTHER INFORMATION

PART C - NOTES TO THE INCOME STATEMENT

PART E - RISKS AND RELATED HEDGING POLICIES

Quantitative disclosure

C.2 Exposures of the main “third party” securitisations broken down by securitised asset and type of exposure

C.3 Securitisation vehicles

C.4 Unconsolidated securitisation vehicles

C.5 Servicer - own securitisations: collection of securitised loans and redemption of Debt securities issued by the securitisation vehicle

D. DISCLOSURE ON UNCONSOLIDATED STRUCTURED ENTITIES (OTHER THAN SECURITISATION SPVs)

Qualitative disclosure

Quantitative disclosure

E. TRANSFERS

A. Financial assets transferred and not fully derecognised

Qualitative disclosure

Quantitative disclosure

E.1 Financial assets transferred and not derecognised and associated financial liabilities: carrying amount

E.2 Financial assets transferred and not fully derecognised and associated financial liabilities: carrying amount

E.3 Transfers with liabilities that can solely be covered by the assets transferred and not fully derecognised: fair value

B. Financial assets transferred and fully derecognised with recognition of continuing involvement

Qualitative disclosure

Quantitative disclosure

E.4 Covered bond transactions

CREDIT RISK MEASUREMENT MODELS

SECTION 3 – DERIVATIVES AND HEDGING POLICIES

3.1 - Trading derivatives

B. Credit derivatives

B.1 Trading credit derivatives: reporting date notional amounts

B.2 Trading credit derivatives: gross positive and negative fair value - breakdown by product

B.3 OTC trading credit derivatives - notional amounts, gross positive and negative fair value by counterparty

B.4 Residual life of OTC trading credit derivatives: notional amounts

B.5 Credit derivatives associated with fair value option: changes

3.2 – Hedge accounting

Qualitative disclosure

A. Fair value hedges

PART L – SEGMENT REPORTING

PART M – LEASE REPORTING

SECTION 1 – LESSEE

Quantitative disclosure

SECTION 2 – LESSOR

Qualitative disclosure

Quantitative disclosure

1. Notes to the statement of financial position and the income statement
2. Finance leases
   - 2.1 Classification by time bracket of the payments to be received and reconciliation with financing for leases recognised in the assets
   - 2.2 Other information
3. Operational leases
   - 3.1 Classification by time bracket of the payments to be received
   - 3.2 Other information

Property

PROPERTY	REVALUATION			GROSS AMOUNT	including: land	including: buildings	CARRYING AMOUNT OF BUILDINGS
	pursuant to Law 72/83	pursuant to Law 218/90	pursuant to Law 413/91				
Fermo Via Don E. Ricci,1	1,011,739.07	2,017,280.65	401,803.47	3,498,627.99	349,862.81	3,148,765.18	217,717.59
Fermo Campoleggio Corso Marconi, 19	103,291.38	274,755.07	42,865.92	432,750.15	43,275.02	389,475.13	28,585.83
Fermo Campoleggio - extension Corso Marconi, 19	-	-	1,549.37	19,039.38	1,903.94	17,135.44	139.49
Carassai Piazza Leopardi 8/9	25,822.84	24,273.47	11,362.05	66,563.76	8,653.29	57,910.47	3,100.28
Cupramarittima Via E. Ruzzi, 9	-	211,230.87	47,514.03	436,910.79	-	436,910.79	25,874.44
Grottazzolina Via Verdi, 5	51,645.69	32,020.33	25,306.39	124,894.81	-	124,894.81	5,732.70
Montegranaro Piazza Mazzini	175,595.35	47,867.29	41,501.96	200,509.38	-	200,509.38	8,936.87
Monterubbiano Piazza Calzecchi Onesti, 9	46,481.12	63,007.74	18,592.45	131,741.32	13,174.13	118,567.19	7,343.96
Monte San Pietrangeli Via S. Antonio, 6	-	64,040.66	4,131.66	140,636.48	-	140,636.48	14,063.73
Montottone Piazza Leopardi, 8	37,184.90	29,954.50	14,977.25	85,204.37	10,224.52	74,979.85	3,953.94
Monturano Via Gramsci, 32/A	232,405.60	583,079.84	129,114.22	1,058,503.84	158,775.58	899,728.26	60,536.43
Petritoli Via Mannocchi Tornabuoni, 25	28,405.13	88,314.13	12,911.42	135,285.44	13,528.54	121,756.90	9,110.33
Falerone fraz. Piane di Falerone Viale della Resistenza, 95	51,645.69	205,549.85	26,339.30	301,981.85	75,495.47	226,486.38	17,391.76
Porto S. Elpidio Via S.Giovanni Bosco, 10	180,759.91	203,484.02	76,952.08	487,019.99	97,404.00	389,615.99	22,434.84
Porto S. Elpidio - Faleriense Via Marina, 1	180,759.91	167,848.49	81,600.19	499,256.17	70,224.58	429,031.59	42,924.26
Porto S. Giorgio - registered office Via Annibal Caro, 11	-	2,471,246.26	73,853.34	5,703,013.66	1,140,602.74	4,562,410.92	315,448.57
S. Elpidio a Mare Via Roma, 31	129,114.22	523,170.84	65,590.03	764,747.17	-	764,747.17	58,876.00
S. Elpidio a Mare extension 1981 Via Roma, 31	-	-	34,602.61	127,207.59	-	127,207.59	3,460.23
S. Elpidio a Mare extension 1983 Via Roma, 31	-	-	33,569.70	139,393.78	-	139,393.78	3,356.99
Fermo Piazza Mascagni, 4	154,937.07	211,747.33	66,106.48	455,484.95	-	455,484.95	27,785.47
Fermo - Piazza Mascagni extension 1984	-	-	5,164.57	25,169.18	-	25,169.18	516.40
Fermo Via Ognissanti	-	11,878.51	4,648.11	29,035.21	3,484.22	25,550.99	1,454.38
Fermo Corso Cavour, 104	-	1,066,999.95	217,428.35	2,647,791.16	264,779.13	2,383,012.03	115,598.45
S. Elpidio a Mare - Casette d'Ete Corso Garibaldi, 3	-	203,484.02	83,149.56	678,504.31	33,925.22	644,579.09	27,230.28
Fermo Viale Trento, 182	-	3,083,247.69	601,672.29	7,454,739.36	1,490,947.88	5,963,791.48	294,793.74
S. Benedetto del Tronto Via Liberazione, 190	-	820,650.01	211,230.87	2,356,260.19	164,938.21	2,191,321.98	95,964.86

PROPERTY	REVALUATION			GROSS AMOUNT	including: land	including: buildings	CARRYING AMOUNT OF BUILDINGS
	pursuant to Law 72/83	pursuant to Law 218/90	pursuant to Law 413/91				
Civitanova Marche Via Cairoli, 22	-	388,375.59	30,987.41	804,859.80	-	804,859.80	41,936.30
Porto S. Elpidio - Faleriense Piazza Giovanni XXIII, 14	232,405.60	108,455.95	-	419,019.11	-	419,019.11	239,004.96
Fermo Area di Viale Ciccolungo	-	-	-	0.01	-	0.01	-
Grottazzolina Via Fonterotta	-	-	-	476,932.12	-	476,932.12	476,932.12
Pescara Piazza Duca d'Aosta, 30	-	-	-	1,908,478.18	-	1,908,478.18	248,102.06
Montegranaro Via Gramsci	-	-	-	465,720.02	-	465,720.02	151,359.02
Recanati Santacroce 34/E	-	-	-	301,285.46	60,257.09	241,028.37	78,334.26
Rome Via Puglie 15/21	-	-	-	2,932,724.03	-	2,932,724.03	1,393,043.93
Colli del Tronto Via Matteotti, 2	-	-	-	342,295.20	-	342,295.20	164,377.91
Porto S. Elpidio - Renovation Via S. Giovanni Bosco, 10	-	-	-	497,084.46	99,416.89	397,667.57	188,892.05
Fermo - Loc. Molini Girola	-	-	-	30,250.00	6,050.00	24,200.00	13,610.08
Falerone fraz. Piane - Renovation Viale della Resistenza, 95	-	-	-	111,836.61	-	111,836.61	68,209.13
Montegiorgio - Loc. Piane Via A. Einstein, 8	-	-	-	869,227.16	116,000.00	753,227.16	549,027.32
Fermo Via G. da Palestrina 13/19	-	-	-	418,945.49	-	418,945.49	304,447.73
Fermo Piazza del Popolo, 38	-	-	-	16,400.00	-	16,400.00	12,234.40
San Benedetto del Tronto Via Francesco Fiscaletti	-	-	-	918,260.22	-	918,260.22	697,694.09
Recanati Via Villa Musone, no street number	-	-	-	306,356.00	-	306,356.00	240,397.55
Magliano di Tenna Via Monti Sibillini, 9	-	-	-	272,000.00	-	272,000.00	255,680.00
Montecchio (TR) Via San Rocco, no street number	-	-	-	272,109.38	-	272,109.38	285,761.11
TOTAL	**2,642,193.48**	**12,901,963.06**	**2,364,525.08**	**39,091,946.15**	**4,222,923.26**	**34,869,022.89**	**6,821,375.84**

List of HTCS equity investments

OTHER FUNCTIONAL INVESTMENTS	Carrying amount at 2020	Changes in 2021			Carrying amount at 12/2021	including: remeasurement of contribution value	including: valuation
		(+) Purchases	(-) Sales/ reimbursements	(+/-) Fair value			
SEDA - Soc.Elaborazione Dati S.p.A.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BANK OF ITALY	10,000,000.00	0.00	0.00	0.00	10,000,000.00	0.00	0.00
Intesa Sanpaolo S.p.A.	77,305.18	0.00	0.00	14,424.45	91,729.63	0.00	-4,395.95
SIA S.p.A. (former Società Servizi Bancari S.p.A.)	161,770.00	0.00	0.00	0.00	161,770.00	0.00	139,703.54
Bancomat S.p.A.	21,945.00	0.00	0.00	0.00	21,945.00	0.00	1.00
CBI S.c.p.a.	3,022.00	0.00	0.00	0.00	3,022.00	0.00	0.00
Alipicene S.r.l. - In Liquidation	2,582.00	0.00	0.00	-2,582.00	0.00	0.00	-2,582.00
S.W.I.F.T. - Brussels	2,529.08	0.00	0.00	0.00	2,529.08	0.00	0.00
Fermano Leader s.c.a.r.l	3,000.00	0.00	0.00	0.00	3,000.00	0.00	0.00
CSE Consorzio Servizi Bancari S.r.l.	6,250,000.00	0.00	0.00	0.00	6,250,000.00	0.00	-80,000.00
CARICESE S.r.l.	20,000.00	0.00	0.00	0.00	20,000.00	0.00	0.00
CONFIDICOOP MARCHE	100,000.00	0.00	0.00	0.00	100,000.00	0.00	0.00
Voluntary Scheme c/o Interbank Guarantee Deposit Fund (C.R. CESENA)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Voluntary Scheme c/o Interbank Guarantee Deposit Fund	22,340.34	0.00	0.00	-22,340.34	0.00	0.00	-51,026.19
Italian Dream Factory S.r.l.	0.00	0.00	0.00	0.00	0.00	0.00	-315,793.00
TOTAL AS PER ACCOUNTING RECORDS	**16,664,493.60**	**0.00**	**0.00**	**-10,497.89**	**16,653,995.71**	**0.00**	**-314,092.60**

Treasury and cash services

Treasury services	
Body	**Municipality**
Municipality of Altidona	Altidona (FM)
Municipality of Belmonte Piceno	Belmonte Piceno (FM)
Municipality of Campofilone	Campofilone (FM)
Municipality of Comunanza	Comunanza (AP)
Municipality of Carassai	Carassai (AP)
Municipality of Falerone	Falerone (FM)
Municipality of Fermo	FERMO
Municipality of Grottazzolina	Grottazzolina (FM)
Municipality of Lapedona	Lapedona (FM)
Municipality of Magliano di Tenna	Magliano di Tenna (FM)
Municipality of Mogliano	Mogliano (MC)
Municipality of Monte Vidon Combatte	Monte Vidon Combatte (FM)
Municipality of Monte San Pietrangeli	Monte S. Pietrangeli (FM)
Municipality of Monsampietro Morico	Monsampietro Morico (FM)
Municipality of Monte Giberto	Monte Giberto (FM)
Municipality of Montegiorgio	Montegiorgio (FM)
Municipality of Montegranaro	Montegranaro (FM)
Municipality of Montefiore dell’Aso	Montefiore dell'Aso (AP)
Municipality of Monteleone	Monteleone di Fermo (FM)
Municipality of Monterubbiano	Monterubbiano (FM)
Municipality of Montottone	Montottone (FM)
Municipality of Moresco	Moresco (FM)
Municipality of Pedaso	Pedaso (FM)
Municipality of Petritoli	Petritoli (FM)
Municipality of Ponzano di Fermo	Ponzano di Fermo (FM)
Municipality of Porto San Giorgio	Porto San Giorgio (FM)
Municipality of Porto Sant’Elpidio	Porto Sant’Elpidio (FM)
Municipality of Rapagnano	Rapagnano (FM)
Municipality of Ripe San Ginesio	Ripe San Ginesio (MC)
Municipality of Rotella	Rotella (AP)
Municipality of Sant’Elpidio a Mare	Sant'Elpidio a Mare (FM)
Municipality of Servigliano	Servigliano (FM)
Municipality of Torre San Patrizio	Torre S. Patrizio (FM)
Province of Fermo	FERMO
Unione Montana dei Sibillini	Comunanza (AP)

Cash services	
Body	**Municipality**
Conservatorio Musicale “G.B. Pergolesi”	FERMO
ISC Fracassetti - Capodarco di Fermo	FERMO
Istituto Tecnico Industriale Statale "G. Montani"	FERMO
Liceo Artistico “U. Preziotti - O. Licini”	FERMO
Liceo Ginnasio "Annibal Caro"	FERMO
Liceo Scientifico “Calzecchi Onesti”	FERMO
Ordine Dottori Commercialisti ed Esperti Contabili	FERMO

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa di Risparmio di Fermo S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cassa di Risparmio di Fermo S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Classification of performing loans to customers measured at amortized cost classified in Stage 2

Description of the key audit matter

As reported in paragraph "Lending" of the Directors' report and in Part B – Notes to the Balance Sheet as at December 31, 2021, performing loans to customers measured at amortized cost of Cassa di Risparmio di Fermo S.p.A. show a gross amount of Euro 1,099.7 million, reduced by portfolio adjustments of Euro 11.7 million, to come to a net amount of Euro 1,087.9 million, resulting in a coverage ratio of 1.07%. a gross amount of Euro 198.9 million of the above mentioned loans are classified in Stage 2 with a coverage ratio of 2.92%.

As reported in the explanatory notes - Part E – Risks and related hedging policies, as part of its policies for managing loans to customers, the Bank adopted rules and processes for monitoring credit exposures, which have entailed, among other things, a structured action of classification into homogeneous risk categories (stage). As reported in the explanatory notes - Part A - Accounting policies, the Bank, also taking into account the continuing impacts of the COVID-19 pandemic and the regulatory framework in place, considered to classify the loans in moratorium as at December 31, 2021, in *stage* 2.

Given significance of the amount of performing loans to customers measured at amortized cost classified in *stage* 2 recorded in the financial statements and the complexity of the process of classifying loans to customers into homogeneous risk categories followed by the Bank (stage), we considered the classification of performing loans to customers measured at amortized cost classified in *stage* 2 a key audit matter of the financial statements of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2021.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the internal regulations and processes implemented by the Bank, as amended to take into account also of the continuing impacts of the COVID-19 pandemic, for classifying loans to customers measured at amortized cost and monitoring their quality, in order to verify the compliance with the regulatory framework and the applicable accounting standards;

- checking the implementation and operating effectiveness of the relevant controls identified in relation to those processes, also supported by IT processes and systems specialists of the Deloitte network;

- drawing qualitative and trend analysis of performing loans to customers measured at amortized cost by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest;

- checking, on a sample basis, the classification of performing loans to customers measured at amortized cost classified in *stage* 2 in accordance with the regulatory framework;

- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards, as well as the interpretative and supporting documents for the application of the accounting standards in relation to the continuing impacts of the COVID-19 pandemic, issued by regulatory and supervisory bodies.

Classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans

Description of the key audit matter

As reported in paragraph "Lending" of the Directors' report and in the quantitative information relating to credit risk disclosed in Part E - Information on risks and related hedging policies of the explanatory notes as at December 31, 2021, non-performing loans to customers measured at amortized cost of Cassa di Risparmio di Fermo S.p.A. show a gross amount of Euro 111.3 million, reduced by specific adjustments of Euro 64.7 million, resulting in a net amount of Euro 46.6 million.

The Directors' report also shows that the coverage ratio of non-performing loans to customers measured at amortized cost as at December 31, 2021 is equal to 58.1%. More specifically, the above-mentioned loans to customers, classified in accordance with IFRS 9 "Financial Instruments" as the so-called "stage three", include bad loans for a net value of Euro 18.3 million and a coverage ratio of 69.4% and unlikely to pay loans for a net value of Euro 27.7 million and a coverage ratio of 45.4%.

In the process of classifying loans to customers into homogeneous risk categories, the Bank refers to the sector regulations and internal rules that regulate the criteria of classification and the transfer within the different categories of risk.

In determining the recoverable amount of non-performing loans to customers measured at amortized cost, the Bank, as part of its valuation policies, has used valuation processes and methods characterized by elements of subjectivity and estimate of certain variables such as, mainly, expected cash flows, time of recovery and the collaterals' recoverable amount, where present, whose modification may lead to a change in the final recoverable amount; this quantification has been made on the basis of information available at the valuation date.

In Part A - Accounting policies and Part E - Information on risks and related hedging policies of the explanatory notes - disclosures are provided on these aspects.

Given the significance of the amount of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans recorded in the financial statements, the complexity of the valuation processes adopted by the Bank, which entailed a structured action of classification into homogeneous risk categories, as well as the relevance of the discretionary components linked to the estimate of the recoverable amount (such as the estimate of expected cash flows, the time of recovery, the collaterals' value, we considered the classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans a key audit matter of the financial statements of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2021.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the internal regulations and processes implemented by the Bank for the classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans, in order to verify the relevant compliance with the regulatory framework and applicable accounting standards;

- checking the implementation and the operating effectiveness of the relevant controls identified in relation to those processes;

- drawing qualitative and trend analysis of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest;

- checking on a sample of credit files, selected also on the basis of the matters of interest emerging from the analysis referred to in the previous point, the relevant classification and determination of the recoverable amount of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans in accordance with the regulatory framework, also by obtaining and examining written confirmations by the lawyers appointed for their collection;

- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of 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 auditor's report

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to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa di Risparmio di Fermo S.p.A. has appointed us on April 30, 2019 as auditors of the Bank for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Cassa di Risparmio di Fermo S.p.A. are responsible for the preparation of the Directors' report of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the Directors' report with the financial statements of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the Directors' report on operations is consistent with the financial statements of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Benini
Partner

Bologna, Italy
April, 13 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.