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FINANCIAL STATEMENTS AT 31/12/2022

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

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BOARD OF DIRECTORS
Meeting of 28 March 2023

Directors' report and financial statements at 31/12/2022

Dear shareholders,

2022 will be remembered for its complexity, resulting from events that negatively influenced both the global and domestic economic situation. The year began with the post-pandemic recovery, during which various economic indicators were once again positive and suggested decisive growth, followed by an abrupt turn into a geopolitical crisis linked to the Russia/Ukraine crisis, which newly complicated the international situation, contributing to increased energy and raw materials prices and a dramatic rise in inflation.
The first consequence of this high level of economic uncertainty and the considerable rise in inflation was a decisive change in the monetary policies of the main central banks, with increases in the reference interest rates, making investments more costly for businesses and negatively influencing consumer demand for goods and services, slowing economic activity. To this was added notable economic uncertainty and the end of certain securities purchase programmes by the ECB, with a consequent increase in interest rates paid on public debt. This increase will have an impact in the future on issues of public debt, with greater pressure on government finances and the sustainability of the debt itself, which in Italy amounts to around 150% of GDP.

In 2022, our Bank was unfortunately also impacted by the loss of Chairman Amedeo Grilli on 29 October 2022, who we will remember for his excellent humanitarian qualities, moral strength and extraordinary professional skills, as well as the generosity and tenacity with which he lead the Bank. He was a strong defender of the local bank model, with a focus on the needs of the area in which it operates, supporting the economy and investing in culture and society. An institution that cares for households and businesses, especially in times of difficulty, with concrete, resolute and reasonable actions. The initiatives begun following the earthquake, during the pandemic and during the current economic crisis demonstrate the same, implemented with a passion, strength and an eye to the future. His sensitivity, values and enthusiasm will continue to guide us in our daily work, always contributing to further development in our territory of choice.

In this difficult context, financial year 2022 ended with profit of € 24.6 million and with equity, income and efficiency indicators all positive, confirming our Bank's long held tradition of combining the ability to understand and anticipate new challenges associated with innovation with the commitment to promoting sustainable development, a fundamental goal for a local Bank which responsibly interacts with various stakeholders, working to understand their real needs and offering rapid responses to the same.
Responsibility to People is at the heart of the Bank and a strategic factor in generating value.
Responsibility to the environment, promoting corporate management that pays attention to local problems with growing awareness of resource efficiency, adopting more effective solutions to reduce direct and indirect environmental impacts.
Responsibility to Clients, with whom we want to build a relationship based on dialogue, listening and transparency, to meet their needs to dedicated products and services.

INTERNATIONAL SITUATION

Through 2022, the global economic cycle was influenced by high inflation, energy and food procurement difficulties caused by the continued conflict in Ukraine, and the slowdown in the Chinese economy. Central banks in many countries are continuing to normalise their monetary policies to combat inflationary pressures. Conditions on global financial markets have worsened since last spring. In the context of a progressive slowdown in economic activity with rapidly rising long-term interest rates, the main advanced economies saw episodes of high volatility and a deterioration in liquidity, also for government bond markets. In the fourth quarter of 2022, indicators suggested a worsening of the situation which was more notable in the advanced countries and in China. International commerce also began to slow at the end of the year. The weakening of global demand contributed to a reduction in oil prices and in Europe natural gas prices have fallen sharply, thanks to mild temperatures, a decrease in industrial demand and the significant inventories established - although they are still at historically high levels. There continue to be major risks connected with developments in the geopolitical situation. Despite some signs of a decrease, inflation has remained high and the central banks in the main countries have continued with restrictive monetary policies. International institutions foresee weaker global growth during the year in progress. Pressures on prices remain high globally, but may have reached their peak given that total inflation for the OECD as a whole fell further in November.

Based on that forecast for 2023 by the OECD, global GDP would fall to 2.2% from 3.1 the previous year, suffering from the restrictive stance of monetary policies, still high energy prices and weak disposable income for households. Any changes to these projections are likely to be negative, due to risks such as the continued war in Ukraine, persistent high inflation levels and possible continued weakness in Chinese operations.

The increase in official rates in the United States and the United Kingdom continues, although at a slower rhythm. At its meetings in November and December the Federal Reserve approved additional increases in the reference interest rates, respectively for 75 and 50 basis points. The Bank of England also increased the official rate at its last two meetings, in the same amount, and in November began a programme to reduce its budget. Since mid-October conditions on the international financial markets have improved overall, although with a temporary deterioration in the second half of December, when more restrictive than expected decisions were made by the main central banks. In mid-January, long-term returns on public securities in the Europe and United States fell to levels lower than those seen in October.

In the Eurozone activity has slowed, while inflation remains high. GDP was essentially stable in the last three months of 2022 and consumer inflation remained high. The European Central Bank's Executive Board continued to tighten monetary policy, again raising official rates, making for less advantageous conditions applied to the TLTRO3 (Targeted Longer-Term Refinancing Operations, TLTRO3) and announcing the general criteria it will utilise to normalise its portfolio of monetary policy securities. The European programme to reduce Russia energy dependence and speed up the green transition (REPowerEU) calls for new funds to support national recovery and resilience plans. Based on the most recent indicators, GDP in the Eurozone was essentially stable in the last quarter of 2022. Consumer inflation remained high (9.2% in December year on year), although lower than in November. In the forecast exercise carried out for the Eurosystem in December, GDP growth estimates were revised downwards for the current year. Those for inflation were revised upwards for 2023 and 2024, reflecting the more intense and persistent transmission of pressures to consumer prices and the rise in wage growth estimates.

ITALY

In 2022 Italian GDP rose by 3.9% with respect to 2021. This figure was higher than government estimates, which had predicted GDP growth of 3.7% for the year. The Italian economy was strong during the first three quarters of 2022, driven above all by internal demand (household consumption and investments), continuing the pandemic recovery path begun in 2021, while in the fourth quarter economic activity in Italy weakened due to attenuation of the recovery of value added for services, as well as a decrease in industrial production. From the beginning of the summer the segments suffering the biggest slowdowns were those with the most intensive use of energy inputs. High energy prices and the uncertainties associated with the conflict in Ukraine continue to be a factor.

Investments slowed in the third quarter (to 0.8% vs. the previous period), reflecting lower construction spending against an increase in spending on plant and machinery. Industrial production decrease in the fourth quarter of 2022 due to still high energy costs and weaker demand. Activity in the services sector also slowed, after growth in the second and third quarters. Uncertainties linked to the continued conflict in Ukraine and more restrictive financial conditions were reflected in spending for investments and in prospects for the real estate sector.

After strong growth in the first half, exports were essentially stable during the summer months, affected by the significant slowdown in sales of goods and the decline in sales of services. The biggest positive contributions came from pharmaceuticals and other means of transport (above all sales of ships), while a drop was seen in most of the other segments. After a year and a half of recovery, exports of services fell slightly, in large part due to the a full recovery of inflows from international tourism, which has returned to pre-pandemic levels. The significant expansion in imports of goods continued, in relation to good performance for investments in capital goods and, even more so, growth in services. Purchases of motor vehicles, electronics, machinery and energy goods had a significant impact on the first component. The large rise in imports of services is mainly due to a return to foreign travel by residents.

Employment rose slightly in 2022, while wage trends continued to be moderate. The number of employed people rose slightly in October/November, still supported by the permanent component following the transformation of temporary positions begun in 2021. The trend for wages was moderate, in part due to continued negotiations for services, in which the portion of employees awaiting the renewal of their collective contracts is still high. In 2023, wage trends are expected to see modest acceleration.

Household spending increased significantly, above all during the third quarter, while it was weaker in the final part of the year, despite government actions taken to calm energy prices and support available income, above all for poorer households. The propensity to save continued to fall, returning to pre-pandemic levels.

In 2022 inflation reached new highs, driven by the energy component which continues to be transmitted to the prices of other goods and services. The consumer price trend continues to be mitigated by government actions with reference to energy. The first signs of a loosening of inflationary pressures have been seen with respect to household and business expectations. In December the national consumer price index rose by 0.3% on a monthly basis and 11.6% year on year (from +11.8% the previous month). On average, in 2022 consumer prices rose by 8.1% (+1.9% in 2021). Net of energy and fresh foods, “core” inflation, consumer prices rose by 3.8% (+0.8% the previous year), and net of solely energy items by 4.1% (+0.8% in 2021).

MARCHE REGION

2022 saw the continuation of the recovery in activity levels which began in 2021. Based on the quarterly regional economy indicator (ITER) prepared by the Bank of Italy, on average, GDP in the Marche region in the first half of 2022 saw growth substantially in line with the national figure (5.7%). In the third quarter, however, even more dramatic rises in energy prices contributed to a progressive deterioration of the situation, worsening uncertainties and lowering expectations with respect to short-term prospects. In the industrial sector, activity increased in all the main specialised sectors for regional manufacturing. The survey carried out by the Bank of Italy indicated in particular a widespread increase in footwear sales in the first nine months of 2022, after a weak trend the previous year.

In addition to high energy prices, business activities were also impacted by continued supply chain issues with respect to other raw materials and intermediate inputs. Exports saw substantial growth, affecting all segments. The construction sector continued the growth begun in the second half of 2020, in part thanks to tax incentives for improvements made to residential homes. In the services sector, commerce benefited from increased household consumption. The summer tourism season was particularly positive, showing a significant increase in the presence of both Italian and foreign visitors. Business liquidity remained at high levels, although slightly down year on year. Increased financial requirements from the production sector, linked to increased production costs, translated to higher loans.

The recovery in employment levels begun in 2021 continued: the cumulative balance for employee labour contracts in the private non-agriculture sector remained at levels exceeding those of 2021 through June, worsening in July and August until levels similar to those seen the previous year were reached.

Permanent contracts benefited from the transformation of numerous temporary contracts begun previously. The increases in employment and participation rates were associated with a drop in the unemployment rate. Use of wage subsidy instruments fell significantly.

In the first half of 2022, with supply conditions for credit overall unchanged, the increase in bank loans supplied to customers residing in the Marche continued. Business loans accelerated, reflecting the trend for those provided to larger companies. In the area of household loans, both residential mortgages and consumer loans rose. The quality of loans to businesses did not show any downward trends in the first half of 2022, despite the end of the public moratorium at the end of 2021. The impairment rate for household loans fell even farther, at low levels in terms of historical trends. Bank deposits for households and companies slowed, after the notable expansions associated with the accumulation of liquidity for precautionary purposes observed during the pandemic. Market value for securities in custody for households held by banks fell, suffering from turbulence on financial markets.

Regional manufacturing ended the fourth quarter of 2022 with weak production and sales stationary with respect to the levels recorded in the same period of 2021. According to the results of the Quarterly Survey by Confindustria Marche, in October-December 2022 industrial production saw a 0.9% change on a trending basis, weak but better than the national figure of -2.4%. This average figure hides the highly differing trends seen in various sectors, in which certain segments saw positive changes in terms of activity while others ended the quarter with weaker results. In particular, the varying trends in domestic and foreign demand continue to impact the difference in recovery rates, with certain sectors suffering from the additional slowdown in the internal component and others benefiting from the recovery of the foreign component. In this context, with respect to the central months of the year the role played by the cost and availability of inputs, including energy was lessened in terms of its impact on sector demand. Although less notable with respect to later months, during the summer break difficulties on supply markets and growing costs continue to reduce flexibility for businesses, with the risk of breakdowns in the regularity of processes still high. Caution in decisions made by operators with regards to upcoming trends appear to be in large part linked to this aspect.

Total commercial activities were stable in the fourth quarter of 2022: sales in real terms fell slightly (-0.2%) compared to the corresponding period of 2021, with a drop seen on the domestic market and a rise in the foreign market.

Sales on the domestic market fell by 3.6% with respect to the fourth quarter of 2021, with positive results only for non-metal minerals and food products. All other sectors were negative. Sales abroad recorded an increase of 3.0% compared to the last quarter of 2021. The trend was positive for all the main sectors, with the exception of mechanical and rubber and plastic. The percentage of operators recording sales growth was stable (41% vs. 40% the previous year), while the portion of operators with negative sales trends fell (39% vs. 44% in the third quarter of 2022). Prices saw changes of 9.2% and 8.3%, respectively for the domestic and foreign markets. For costs, the differences recorded came to 10.6% and 9.4% respectively in the two markets. Operator forecasts regarding sales trends in coming months are focussed on the worsening of the overall situation on the domestic market and stability on the foreign market.

FINANCIAL MARKET TRENDS

Starting in the fourth quarter of 2022, conditions on international financial markets improved with respect to the previous three quarters, benefiting from operator expectations of slower interest rate increases with respect to monetary policy in the largest advanced economies.

After the December meetings of the main central banks, operators again adjusted their expectations with respect to the rate and duration of the monetary restriction process. Returns on long-term public securities in Europe and the United States temporarily returned to growth, then falling in mid-January 2023 to a level lower than the values seen in fall 2022, while the appreciation of the US dollar that had begun in the previous spring ended.

Also in Italy financial market conditions improved overall starting in mid-October. Until mid-December expectations of a slowing in interest rate increases and a greater propensity to risk for investors favoured a decrease in returns on long-term government securities and the sovereign risk premium, while also pushing stock prices upwards.

These trends reversed after the meetings of the central banks, but only temporarily. In mid-January, the return differential on Italian 10-year government securities with respect to corresponding German securities was around 185 basis points, well below the highest figures seen in 2022. Overall, returns on long-term government securities fell: between mid-October and the first half of December returns on Italian 10-year government securities fell by around 100 basis points, to below 4%. The return differential with respect to German government securities became smaller, falling to below 190 basis points. After the ECB's December meeting, which resulted in a more restrictive approach than previously expected, the return on the Italian 10-year security temporarily rose to the levels seen in mid-October. Since the beginning of the current year, returns have fallen again. In mid-January, the figure was around 4%, while the spread was at around 185 basis points, well below the highest amounts seen in 2022.

Despite the weakness seen in the overall framework, between mid-October and the first half of December the Italian stock market index rose a good deal, reflecting not only a situation of greater risk propensity and improved expectations with reference to monetary policy, but also the publication of higher than expected profits for the third quarter of 2022. Increased profits and profitability favoured, in particular, higher prices for banks.

At its meeting of 2 February 2023, the European Central Bank's Governing Council increased the three reference interest rates for the ECB by another 50 basis points, forecasting additional increases due to core inflationary pressures, with subsequent assessment of future monetary policy. Keeping interest rates at restrictive levels will cause inflation to slow over time, while also slowing demand, while protecting against the risk of a persistent increase in inflation expectations. Additionally, the ECB intends to continue to fully reinvest the capital paid on maturing securities in the context of the Asset Purchase Programme (APP) until the end of February 2023. Subsequently, the APP portfolio will be reduced at a moderate and predictable rate, in that the Eurosystem will only a portion of the capital paid on maturing securities. With regards to the PEPP (Pandemic Emergency Purchase Programme), the ECB intends to reinvest capital paid on maturing securities under the programme at least until the end of 2024. As banks are repaying the amounts borrowed under the targeted longer-term refinancing operations, the Governing Council will regularly assess how targeted lending operations are contributing to its monetary policy stance. In any case, the ECB has confirmed it is ready to utilise all the instruments available to ensure that inflation returns to the medium-term objective of 2%. The Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all Eurozone countries.

THE ITALIAN BANKING SYSTEM

Despite the cyclical slowdown, the main indicators for the health of the Italian banking system remained positive overall for 2022.

Credit quality continued to be good and in September the impact of non-performing loans net of value adjustments was 1.5%. The flow of new non-performing loans continues to be low, around 1% of loans. Liquidity margins fell slightly after initial payments on targeted longer-term refinancing operations (TLTRO) but are still well above regulatory minimums.

In December 2022, funding from customers for banks operating in Italy represented by deposits from resident clients and bonds came to € 2,044.4 billion, down by 1.2% with respect to the previous year. Deposits of resident clients saw a change of -1.3% in December 2022, with a drop in absolute value year on year of € 24.1 billion, bringing deposits to 1,835.4 billion. This decrease in deposits is mainly due to businesses (€ -33.4 billion between July and November 2022) which between December 2019 and July 2022 saw an increase in deposits of over € 130 billion, while indirect funding saw an increase of around 132 billion between December 2021 and December 2022, of which 64.5 billion associated with households, 14.5 with businesses and the remaining with other sectors (financial companies, insurance, public administration). In December 2022, the average rate for bank funding from customers was 0.62% (0.44 in December 2021). In particular, the rate on deposits in euro applied to households and non-financial companies was

0.46% (0.30% in December 2021), bonds 2.12% (1.76% in December 2021) and reverse repurchase agreements 0.92% (0.56% at December 2021).

Total bank loans to households and companies at the end of December 2022 was up. Total loans to residents of Italy was € 1,732.8 billion, with a year on year change of +1.1% (+2% in December 2021). Loans to residents in Italy in the private sector increased by +1.8% (€ 1,479 billion) compared to one year prior. Loans to households and non-financial companies totalled € 1,340 billion. Based on Bank of Italy estimates, the annual change in loans to households and businesses was +2.1%, while the rate of change in loans to businesses was essentially zero. Interest rates were up at the end of 2022 on both total loans and new loans to households and businesses. The rate on loans in euro to households to purchase housing (which summarises the trend for fixed and floating rates and is also influenced by the change in the composition in disbursements based on mortgage type) was 3.09% (1.4% at the end of 2021). Of all new financing disbursed, 34.3% were fixed-rate loans. The average rate on new loans in euro to non-financial companies rose to 3.44%, from 1.18% in December 2021. The weighted average rate on all loans to households and non-financial companies, on the other hand, was 3.22% (2.13% in the previous year). The spread between the average rate on loans and the average rate on funding to households and non-financial companies was 260 bps in late 2022. Non-performing exposures net of impairment losses and provisioning came to € 14.2 billion in December 2022, down by around 1 billion (-6.5%) with respect to one year prior. The ratio of net bad exposures to total lending was 0.81% (0.87% in December 2021). Total securities in the portfolio of banks operating in Italy was € 597.7 billion, down by around 5.6% over the previous year. According to the official data of the Bank of Italy, updated at December 2022, the amount of government bonds in bank financial statements was 372.8 billion, corresponding to around 64.4% of the total portfolio.

THE BANK'S OPERATIONS

Financial year 2022 saw significant uncertainties linked to the Russia/Ukraine war, inflationary pressure and high prices for commodities and energy. In this context, the Bank continued to implement the Business Plan approved in March 2022. Commercial activities, in addition to developing products already in the catalogue, led to the implementation of the "Memorandum of understanding to prevent and combat usury and extortion", signed by the Regional ABI and the Prefecture of Ancona, to grant loans with Confidi guarantees utilising the Anti-Usury Fund, with a dedicated account established to support the inclusion and "re-bankification" of victims or potential victims of usury or extortion. The SACE public guarantee (insurance and financial services for businesses) was activated with support from Innolva S.p.A., to expand the range of loans while also providing additional instruments to protect against risk. Further, a form of credit linked to the subsidy granted by the Ministry of Tourism under the NRRP was made available to customers, with products offering an advance on public contributions and unsecured loans for the portion not covered by the contribution. With respect to e-money, placement began of the Nexi Debit Consumer debit card with private consumers. Finally, management of cash services for the municipal wholesale fish market in Giulianova was acquired. To expand the range of insurance products offered, placement began for the SiPrevisto product from Arca Assicurazione. This product is dedicated to households and businesses and guarantees payment of capital in the case of permanent disability following injury, as well as health care services which are always available. Additionally, the Arca Assicurazione ACUORE healthcare solution was added to the product catalogue for households, freelance professionals and companies.

Again in 2022, investments continued to improve the quality of the services offered to customers via digital channels and "self-service areas". To expand the range of operations available to customers through electronic devices, customers holding the Nexi Debit Business Cards were offered the possibility utilising the following on next-generation ATMs: a) depositing cash or cheques to their current accounts; b) consulting balances and transactions for current accounts, foreign accounts, savings deposits and securities; c) paying pre-printed postal bills, MAV/RAV, car taxes and, on ATMs with touch screens F24s; d) payment/booking of RIBAs. Our institution, faithful to its traditions and history, but still open to technological innovation and sustainability, has implemented distribution channels to open accounts, establishing online opportunities to expand the customer base, above all with a focus on younger clients and with a welcoming approach to technology. At the same time, the "virtual branch" channel was activated to manage relations with customers acquired online. The platform made available to activate the online channel includes IT tools, back office services and assistance to manage sales and after sales processes for products that can be placed remotely. A new online account was activated, in an initial phase, with two distinct package solutions for prospective customers who intend to only make use of online banking:

- Carifermo Green Account, for adult consumers residing in Italy;
- Carifermo Green Giovani Account, for consumers residing in Italy up to 26 years of age.

Operations are carried out using the Internet Banking portal and the Carifermo Mobile app, as well as through ATMS. In any case, transactions can also be carried out at physical branches with reference to envisaged operations. The new Internet Banking portal was launched, with a new look, coordinated with the style adopted by Carifermo on its digital customer contact channels, such as the Carifermo Mobile app and the institutional website, creating a homogeneous image for the Bank. With reference to digital services, the new online advance service was activated for invoices through Prima Web, with a digital signature for the advance request and automated notification through certified email (PEC) to the debtor. Additionally, the new Bancomat Pay payment service was released, intended for consumers and allowing private individuals to exchange money and make payments via smartphone.
A dedicated account was introduced for client businesses utilising subsidised loans under the “de minimis” tax regime, supporting investments that favour the digital and environmental transition for SMEs, promoting competitiveness on foreign markets, with a guarantee from SIMEST S.p.A. (Cassa Depositi e Presititi Group). New services were introduced on the Carifermo Mobile app for users of Carifermonline internet banking, allowing for payment of F24 and sharing of the IBAN. Additionally, specific functions were released on the Carifermonline Internet Banking portal allowing users to independently manage the consent forms granted to third parties and payment accounts accessible to the same, as well as consulting operations carried out through third parties, in line with that established in the Payment Services Directive (PSD2) with respect to open banking. With respect to improving security for digital services, the progressive elimination of the Strong Customer Authentication system (SCA) has begun, with the adoption of the Mobile Token solution through the Carifermo Mobile app, which offers a better user experience. In the second half changes were made to the fraud prevention system used on remote channels, implemented in the new “AAoP Fraud-Prevention System Regulations”, with the introduction of new processes to monitor and actively combat fraud, as well as full implementation of Step Up Authentication to authorise transactions classified as “high fraud risk” by the system, activation of remote customer identification, and new contact channels available to customers to communicate issues associated with remote channel security.
Updating of the main internal organisational processes involved the following activities:

- adoption of new filing processes for digital documents;
- adoption of new rules for automatic review of loans to expand the scope of application of this tool, to focus ordinary review activities on positions of greater impact in terms of amount or riskiness;
- a review of the placement processes utilising the graphometric IC or AES procedure: legal review of the contract and activation of AES for the Savings Deposit contract opened through IC; activation of AES for the Security Cash contract opened through IC; activation of placement via AC with an AES for securities deposit custody and administration services and investment services; legal review of the contract and activation of placement via IC with an AES for the safety deposit box service;
- review of the Viacard placement process to adjust forms and improve efficiency by decentralising placement and after sales services to the branches;
- technical update of the international contactless Carifermo Pay debit card, to adjust it to circuit regulations, as of 23 September 2022;
- introduction of the possibility to acquire as collateral Intesa Sanpaolo Vita IBIPs distributed by the Bank.

Also in this financial year, the Bank was strongly committed to implementing the measures put in place by the Government to favour the recovery of the Italian industry, once the health emergency caused by Covid-19 had been overcome. Specifically:

- Updating of internal regulations on tax subsidies established in Decree Law 34/2020 with reference to the 110% Superbonus and ordinary bonuses to adapt to the changes introduced in Law 234 of 30/12/2021 (Stability Law);
- Updating of internal regulations on fees applied to issue the guarantee from the SME Guarantee Fund pursuant to Law 662/96, following regulatory changes (Energy Decree Law, Law 15/2022);

- Updating of internal regulations on the validity of emergency measures (SME Guarantee Fund) and of the Aid Decree Law (SME Guarantee Fund, SACE and ISMEA);
- Updating of economic conditions applied to clients for new tax credit transfer operations (110% Superbonus and ordinary construction bonus);
- Revision of processes relative to the transfer of tax credits deriving from the 110% Superbonus and ordinary construction bonuses, to adapt to regulatory changes, in particular with regards to acquiring and checking documents;
- Suspension of mortgage instalment payments, following the resolution of the Council of Ministers, declaring a state of emergency until 16 September 2023 in parts of the Provinces of Ancona and Pesaro-Urbino impacted by the exceptional weather events starting on 15 September 2022, as indicated in the Ordinance of the Head of the Civil Protection Department (OCDPC), no. 922 of 17 September 2022.

With reference to internal regulations, the following activities were implemented: 1) updating of the "Credit process regulations - Organisational details and operating methods" and the subsequent updating of the Organisational Chart and the "Powers Delegated to the Board of Directors for current operations and credit disbursement" document; 2) updating of the "More Significant Transactions Policy"; 3) updating of the "Collateral evaluation policy". 4) Updating of the "Adequacy and suitability policy"; 5) adoption of the "Impaired credit management regulations"; 6) adoption of the "Bank product governance regulations"; 7) adoption of the "Credit policies" document; 9) adoption of the "Credit facility and overdraft remuneration policies".

With reference to combating money laundering and financing of terrorism, the Cassa di Risparmio di Fermo S.p.A. policy on combating money laundering and financing of terrorism was updated (Anti-Money Laundering Policy) as well as the Anti-Money Laundering Manual. Additionally, internal provisions were adopted to apply restrictions on 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, as adopted by the European Union following the Russian invasion. On 1 September 2022, a maximum limit of two active prepaid cards per holder was introduced, with the aim of reducing potentially anomalous behaviour associated with the use of prepaid cards for payment purposes. Additionally, the threshold on transferring cash and securities to the holder (article 49 of Legislative Decree 231/2007) was raised to € 5,000 on 1 January 2023, in accordance with Law 197 of 29 December 2022 (2023 Budget Law).

The Bank continued to provide treasury and cash services to local bodies. Its traditional role in this sector was further strengthened through the acquisition of two new treasury services, 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 31 December 2022, the bank managed 37 treasury services compared to 35 at the end of 2021, 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.

During 2022, activities to manage non-performing credit continued, in line with the 2022-2024 NPL Operating Plan. On 28 June the Bank received notification that the government had issued the guarantee for the Buonconsiglio 4 Securitisation transaction completed in December 2021, in which our Bank participated. On 29 March 2022, the 2022-2024 Strategic Plan was approved, prepared in line with development lines consistent with the macrodrivers supplied by the Board of Directors in terms of performance expectations (risk/return), capital adequacy (prudential ratios), and qualitative/quantitative business development. In August the sale of the first tranche of receivables deriving from the Superbonus and Ecobonus to Intesa San Paolo was completed, respectively for € 3,994 thousand and € 2,062 thousand, in line with the Framework Agreement signed in June 2022.
To develop salary-backed loan business through periodic acquisitions from specialised operators, with the objective of risk splitting and diversifying the portfolio in terms of loan type, geography and sector, pursuant to article 58 of Legislative Decree 385/93 (TUB), authorisation was requested from the Bank of Italy to acquire instalment-based salary and/or pension-backed loans without recourse, from Italcredit S.p.A., for a total amount of up to € 30 million, to occur between 2022-2024. Authorisation was received in November and in December a new without recourse transaction was completed with Italcredi S.p.A, for a block of loans pursuant to article 58 of TUB, in favour of Carifermo for a total amount of € 11,383 thousand. This followed similar operations carried out in December 2019 and December 2021.

In January 2023, Cassa di Risparmio di Fermo S.p.A., as well as all other less significant banks, received a request from the Supervisory Authority to carry out ad hoc analysis with regards to developing financial projections, based on updated macroeconomic scenarios, to evaluate the solidity of capital projections and the financing capacity of the Bank's business, to more readily identify potential vulnerabilities. Hence, on 15 February the update of numeric projections for 2023 and 2024 were sent to the Bank of Italy, with respect to that initially stated in the Business Plan, confirming the strategic actions present in the Plan in question.

INFORMATION ON ESG ISSUES

In April 2022, the Bank of Italy published its expectations and began assessment and awareness initiatives for intermediaries, with the objective of including evidence in the 2023 SREP. The "Supervisory expectations on climate and environmental risks" contains a series of indications on integrating climate and environmental risk into corporate strategies, in the governance and control systems of banks, in risk management and information disclosed to the market.

The Bank approved the ESG Policy, consistent with the "Supervisory expectations on climate and environmental risks", in which the sustainability guidelines adopted by Cassa di Risparmio di Fermo are outlined, delegating environmental and social sustainability and integration of ESG factors into the Bank's business to a member of the Board of Directors.

In November 2022, the Bank of Italy published the results of the first structured survey on the level of integration of climate and environmental risks in the management paradigms of LSI banks, participating with a sample of 21 entities in the thematic study the ECB had carried out with significant banks. In particular, the study involved the following areas:

- governance and risk appetite;
- materiality assessment;
- business model and strategy;
- risk management.

This study, involving both transition risk and physical risk, outside of certain positive exceptions, identified a low level of alignment with the "Supervisory expectations on climate and environmental risks" but, at the same time, a widespread and growing awareness of the importance of the issue for the prospective sustainability of business models. The biggest problems identified by the study include availability of data and IT systems able to appropriately manage it, as well as delays in the development of structured processes to carry out material analysis of climate risks. Aspects requiring attention for the materiality assessment lead to delays in the inclusion of climate risks in risk management frameworks. In relation to that stated, the Bank of Italy expects the administrative bodies of banks to approve an appropriate plan of initiatives by the end of the first quarter of 2023, intended to define, for 2023-2025, a progressive path to alignment with the "Supervisory expectations on climate and environmental risks", outlining in a coherent manner suitable schedules for adapting the main corporate policies and organisational and management systems.

In cooperation with a major consulting company, the Bank prepared the 2023-2025 ESG Initiative Plan, which defines actions in response to the Bank of Italy's "Supervisory expectations on climate and environmental risks". This Plan, approved by the Board of Directors on 28 March, will be sent to the Bank of Italy by 31 March.

Our Bank sees the integration of ESG factors into corporate strategies and its organisational and management structures as a priority and promotes the adoption of specific measures focussed on environmental sustainability.
In the context of offers dedicated to clients, a process of carefully selecting products and services that combine ESG logics has begun, influencing behaviour with respect to investment and customer loans. All distribution agreements include financial investment, insurance and pension products and services that gradually 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, insurance 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.
With reference to loans, the Car Loan dedicated to a car purchase has been in the catalogue since 2021, with the aim of facilitating the renewal of customer vehicle fleets in favour of transport options with a lower environmental impact. During 2022, this offer was enhanced, including specific subsidies for clients who intend to finance the purchase of hybrid or electric

cars. In an economy in which the cost of energy has risen sharply, the Bank added the new Energy Loan to its catalogue for households and individuals, featuring advantageous conditions. Additionally, as in the previous year, it offered tools to clients to carry out projects to improve energy efficiency and the environmental impact of real estate, to benefit from various government subsidies, specifically the construction bonuses and Superbonus.

In order to map and analyse the risks associated with property pledged as guarantee for the mortgage loans disbursed by the bank, additions were made to the agreement with Revaluta, a partner company for property evaluations, to include energy classification in appraisals of real estate pledged as collateral for our loans.

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 adoption of the Advanced Electronic Signature (AES) which simplifies Bank/Client interaction processes, reduces the use of paper and streamlines digital filing. It also includes Internet Banking Services (IB-HB) dedicated to private customers and companies (Carifermonline and Prima Web), through which new customers can also open a current account online and sign contracts remotely using a digital signature.

ORGANISATION AND WORKFORCE

The Bank is continuing to rationalise its business hours to improve the level of service provided to clients, dedicating resources to consulting, commercial and secretarial activities, and automating operations with less added value.

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 31/12/2022
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 for operations has a surface of roughly 23,541 square metres while its leased property has a total surface of roughly 6,535 square metres. The bank also owns properties which it leases for a total surface of 7,014 square metres.

Relative to property maintenance, the new branch in Porto S. Giorgio Nord was completed, and the space in the Cupra Marittima branch was rationalised. The Safe Area in the Mogliano Branch was completed and the Santa Caterina Branch was painted. The air conditioning systems at the Rapagnano Branch and in the Board Room at headquarters were replaced. The Monte San Giusto Branch was transformed to a "light branch", with the installation of a next generation ATM. The Bank is proceeding with its project to improve the efficiency of its network, implementing the 2022-2024 Strategic Plan approved in March 2022. In this context, an area in the Valmir di Petritoli zone has been identified, which is central with respect to the 4 branches that will become representation offices. The necessary work has begun to sign a lease for this location.

The bank had a total workforce of 347 employees, 6 less than the previous financial year:

	Workforce at 31/12/2022	2022 departures	2022 entries	Workforce at 31/12/2021
Managers	2	0	0	2
Junior managers, 3rd and 4th level	47	-5	1	49
Junior managers, 1st and 2nd level	46	-2	1	44
3rd professional group	251	-5	4	257
2nd professional group	1	0	0	1
Total	**347**	**-12**	**6**	**353**

At year end, 345 employees had open-term contractors, 2 had fixed-term contracts and 30 had part-time contracts. The workforce includes 235 employees (67.7%) in the branches and the remaining 112 (32.3%) at the head office.

Employee 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.
Required training is linked to the following areas: a) obligatory regulatory updates relative to the Organisational Model - Legislative Decree 231/2011 and Anti-Corruption - for all employees and provided on site; b) training for Legislative Decree 81/2008 – for workers responsible for first aid and fire prevention, for RLS and newly hired personnel, provided through e-learning; c) transparency, for newly hired personnel, provided through e-learning; d) authentication of e-money, provided by the Bank of Italy through e-learning, for workers assisting customers and new hires; e) IVASS and ESMA update courses for network personnel; f) anti-money laundering training for all personnel, provided through e-learning; g) IT Security training for all personnel; h) IVASS and ESMA update courses for network personnel.
Behavioural training is intended to strengthen employee personal and managerial skills, with the aim of focussing on personal well-being and development, strengthening processes that fully make use of improved work behaviour. Behavioural initiatives included the following: a) training initiatives, for both managers and professionals, provided by IEN and focussed on awareness of one's role within the Company, continuing development processes already begun; b) 4 training sessions, internally provided starting in September, for Hub Branch Directors and focussed on the issue of responsibility and synergy in performing one's role. Sessions were headed by the Private Office Manager, in cooperation with the Human Resources Office Manager and the Commercial Department. The focus was on managerial skills and methods of offering productive leadership to support dialogue; c) the Arca Project "Create value with insurance consulting ConsuLab" was ended, provided to 10 selected workers. The project helped to strengthen the key themes of insurance consulting, from needs analysis to developing the proposal with further insight into risk management and products, with behavioural training sessions provided on site with Arca colleagues; d) additional behavioural training initiatives, offered by the Human Resources Management Office Manager to: i) employees hired in the last 3 years, on continuity and leadership; ii) network managers and department managers on the issues of evaluation meetings and the feedback process, with the aim of guiding assessors towards an increasingly aware and structured evaluation process. Additionally, classroom training was provided on equal opportunity, for women with significant family burdens, with the aim of learning about solutions and methods to effectively manage private and professional life, seen as both a challenge and a possibility.

Specialised training included: a) continuous regulatory updates for management offices (compliance, operating control, credit, finance, IT, HR, legal, audit, private, accounting, organisation and risk governance); b) CSE procedural training; c) training to improve technical/professional skills to support the sales strategy to improve services offered to customers; d) training on the new credit portal, for all network secretaries. In 2022, 18,042 hours of training were provided, of which 6,990 in-person, 2,032 using video conference and 9,020 in e-learning format.

MULTI-CHANNEL TOOL

The internet banking service, which includes on-line trading, is well met by customers and 32,146 customers had activated the service at year end compared to 30,674 at the end of the previous year (4.8%). With reference to Corporate Banking services for businesses, 6,374 businesses had registered with this service compared to 6,199 in the previous financial year (2.8%). Deposits made at ATMs are summarised in the table below:

2022 ATM DEPOSITS				
TAX BASE	No. of transactions		Amount of transactions (€'000)	
	2022	2021	2022	2021
Cash	116,374	105,468	194,701	178,872
Cheques	31,580	31,461	57,661	49,731

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

In line with that established in the European Banking Authority's guidelines on "management of non-performing and forborne exposures" (EBA/GL/2018/06), the Board of Directors annually updates the document "Cassa di Risparmio di Fermo's strategy for managing NPL", which includes the management strategy for NPLs, above all to optimise management of non-performing loans and maximise the current value of amounts collected. The strategy is defined on the basis of an analysis of its operating ability, the market conditions and the characteristics of its NPE portfolio. Both the strategy and the plan are revised annually (last updated approved on 28 March 2023) 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.

The 40th update to Circular 285/2013, with which the Bank of Italy endorsed the EBA guidelines on managing risks relative to information and communication technology (ICT) and security of 28 November 2019 introduced changes which require banks to establish a specific second level control function to manage and control ICT and security risks. Alternatively, these tasks can be assigned to risk management or compliance functions in relation to the roles, responsibilities and skills of each of the two functions, provided that proper execution of the tasks and the necessary technical skills are ensured, and that the efficacy of controls on ICT aspects is not negatively impacted. The Bank must adapt to the provisions included in the 40th update to Circular 285/2013 by 30 June 2023 and send the Bank of Italy a report by 1 September 2023 that describes the measures adopted to ensure compliance with the same.

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.

THE BANK'S FINANCIAL POSITION
Lending

Breakdown of lending by product							
Description	Financial year			Change since 06/2022		Change since 12/2021	
	12/2022	06/2022	12/2021	Amount	%	Amount	%
Current accounts	55,798	52,475	54,596	3,323	6.3%	1,202	2.2%
Postal current accounts	97	104	11	-7	-6.7%	86	781.8%
Financing for advances	152,811	130,050	110,686	22,761	17.5%	42,125	38.1%
Loans	886,916	907,244	901,871	-20,328	-2.2%	-14,955	-1.7%
Subsidies not settled through current accounts	39,209	33,792	36,930	5,417	16.0%	2,279	6.2%
Loans against pledges	32	398	53	-366	-92.0%	-21	-39.6%
Salary-backed loans	20,260	11,097	11,775	9,163	82.6%	8,485	72.1%
Bad exposures	21,400	17,871	18,270	3,529	19.7%	3,130	17.1%
Portfolio risk	464	398	378	66	16.6%	86	22.8%
Transactions with the Treasury Department	97	254	0	-157	-61.8%	97	0.0%
Total lending	**1,177,084**	**1,153,683**	**1,134,570**	**23,401**	**2.0%**	**42,514**	**3.7%**
- including: in Euros	1,176,988	1,153,616	1,134,437	23,372	2.0%	42,551	3.8%
- including: in foreign currency	96	67	133	29	43.3%	-37	-27.8%
					0		
Own HTC securities	289,732	289,859	288,910	-127	0.0%	822	0.3%
Total caption 40. b)	**1,466,816**	**1,443,542**	**1,423,369**	23,274	1.6%	43,447	3.1%

Table 1

Lending net of impairment funds totalled € 1,177.1 thousand, up by approximately 3.7% on an annual basis, while securities in the HTC segment included in caption 40.b) of the balance sheet amounted to € 289.7 million, substantially in line with the previous financial year.

An analysis of net lending by product (see Table 1) shows a 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. current account assets increased by 2.2% continued, while financing for advances and subsidies settled through current accounts increased by 38.1% and 6.2% respectively on an annual basis. Mortgages fell by around € 15 million (-1.7%) with respect to 31 December 2021.

In 2022, Carifermo was once more confirmed as the main bank of reference for households and local businesses. New financing disbursed amounted to over € 282 million, or 2,953 transactions (€ 301 million and 3,184 transactions in 2021).

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 amount 31/12/2022	Net amount 31/12/2022
412000	Construction of residential and non-residential buildings	62,360	52,887
152010	Footwear	47,176	45,092
682001	Property leases	38,774	35,398
682000	Lease and management of owned or (rented) property	19,355	19,046
681000	Buying and selling of own real estate	18,414	13,757
774000	Granting of rights to use intellectual property and similar products (excluding	13,899	13,827
561011	Catering	12,896	12,410
152020	Leather parts for footwear	12,205	11,855
463920	Non-specialised wholesale of other foodstuffs, drinks and tobacco	11,401	11,267
494100	Goods transportation by road	11,299	11,145
152000	Footwear	11,155	7,337
551000	Hotels and similar structures	10,456	10,208
257320	Manufacturing of dies, mould bases, templates, moulds for machines	9,304	9,180
462110	Wholesale of grain and dried pulses	7,591	7,559
591400	Film projection activities	7,406	3,795
464730	Wholesale of items for lighting; various electrical material for domestic use	7,343	7,222
251100	Manufacturing of metal structures and assembled structural parts	7,132	7,076
432101	Installation of electronic systems in buildings or other construction works (including maint	6,941	6,899
256200	Mechanical engineering works	6,670	6,586
581400	Issue of magazines and periodicals	6,631	6,489
101100	Production of non-bird meat and slaughter by-products (slaughterhouse activity)	6,564	6,479
222901	Plastic parts for footwear	6,421	6,352
451101	Wholesale and retail sale of cars and light vehicles	6,365	5,523
151209	Manufacturing of other travel items, bags and similar, leather goods and saddlery	6,258	6,225
201500	Manufacturing of fertilizers and nitrogen compounds (excluding the manufacture of compos	6,139	1,800
012100	Cultivation of grapes	5,739	5,678
462410	Wholesale of leather and raw and worked skins (excluding fur skins)	5,675	4,943
352300	Trade of gas distributed through pipelines	5,548	5,523
310910	Production of household furniture	5,310	5,298
553000	Camping areas and areas equipped for campers and caravans	5,235	5,217
324020	Manufacturing of toys (including tricycles and toy musical instruments)	5,152	5,141
143900	Manufacturing of pullovers, cardigans and other items similar to knitwear	5,059	5,016
	Total > 5 Million	**397,874**	**362,230**

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 € 9,192 thousand, of which 7,836 coming from non-performing exposures, while the amount of positions reclassified as bad exposures in 2022 was € 13,937 thousand, of which € 12,368 thousand from exposures already classified as non-performing. Total and partial write-offs were made during the year for around € 1,664 thousand. The volume of collections of unlikely to pay exposures is € 12,346 thousand, while collections of bad exposures amount to € 4,836 thousand.

Gross non-performing exposures decreased overall by € 9.7 million (-8.7%). As part of this caption, bad exposures increased by 12.5%, while unlikely to pay exposures decreased by 33.3%; non-performing past due exposures had a negligible level and came to € 453 thousand. The significant decrease in gross impaired loans was determined by internal collection activities, in line with strategies envisaged in the NPL Plan.

Net impaired loans fell by 17.3% with respect to 31 December 2021. The following table shows the performance of irregular exposures and the bank's coverage rate:

NON-PERFORMING EXPOSURES					
		31/12/2022	31/12/2021	Differences with 31/12/2021	
				Amount	%
Total non-performing exposures	Gross amount	101,574	111,292	-9,718	-8.73%
	Impairment losses	63,038	64,696	-1,658	-2.56%
	Carrying amount	**38,536**	**46,596**	**-8,060**	**-17.30%**
coverage rate		*62.06%*	*58.13%*		
Bad exposures	Gross amount	67,291	59,802	7,489	12.52%
	Impairment losses	45,890	41,531	4,359	10.50%
	Carrying amount	**21,401**	**18,271**	**3,130**	**17.13%**
coverage rate		*68.20%*	*69.45%*		
Unlikely to pay exposures	Gross amount	33,830	50,688	-16,858	-33.26%
	Impairment losses	17,080	23,034	-5,954	-25.85%
	Carrying amount	**16,750**	**27,654**	**-10,904**	**-39.43%**
coverage rate		*50.49%*	*45.44%*		
Past Due	Gross amount	453	802	-349	-43.52%
	Impairment losses	68	131	-63	-48.09%
	Carrying amount	**385**	**671**	**-286**	**-42.62%**
coverage rate		*15.01%*	*16.33%*		

Table 3

The positive downward trend in non-performing exposures is reflected in the performance of the gross NPL/gross lending indicators which assumes a value at the end of 2022 of 8.1%, while the net NPL/net lending indicator assumes a value of 3.3%. Both indicators mentioned reached and exceeded the targets defined in the NPL plan approved on 30 March 2022, equal to 9% for the gross NPL/gross lending indicator and 4.2% for the net NPL/net lending indicator respectively.

Overall, the coverage of irregular exposures increased to 62.1%, up on the figure from December 2021 (58.13%), while the total exposures recorded a coverage of 6.13 %.

CREDIT RISK at 31/12/2022												
LENDING	31/12/2022			31/12/21		Difference gross exposures		Difference net exposures		Coverage		
	Gross amount	Total impairment	Carrying amount	Gross amount	Carrying amount	Amount	%	Amount	%	31/12/2022	31/12/2021	
A. NPE	**101,574**	**63,038**	**38,536**	**111,292**	**46,596**	**-9,718**	**-8.73%**	**-8,060**	**-17.30%**	**62.06%**	**58.13%**	
A.1. Bad exposures	67,291	45,890	21,401	59,802	18,271	7,489	12.52%	3,130	17.13%	68.20%	69.45%	
A.3. Unlikely to pay exposures	33,830	17,080	16,750	50,688	27,654	-16,858	-33.26%	-10,904	-39.43%	50.49%	45.44%	
A.2. Past due exposures	453	68	385	802	671	-349	-43.52%	-286	-42.62%	15.01%	16.33%	
B. Performing exposures	1,152,383	13,834	1,138,549	1,099,715	1,087,975	52,668	4.79%	50,574	4.65%	1.20%	1.07%	
TOTAL	**1,253,957**	**76,872**	**1,177,085**	**1,211,007**	**1,134,571**	**42,950**	**3.55%**	**42,514**	**3.75%**	**6.13%**	**6.31%**	
Bad exposures/total exposures									**NET**	**1.82%**	**1.61%**	
NPE/total exposures										**3.27%**	**4.11%**	
Bad exposures/total exposures									**GROSS**	**5.37%**	**4.94%**	
NPE/total exposures										**8.10%**	**9.19%**	

Table 4

Collective impairment losses on performing exposures were recognised using the impairment rules of IFRS9. The percentage of collective impairment loss is slightly higher than the closure of the previous financial year, at 1.2%

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	943,191	5,106	0.54%
Stage 2	209,192	8,728	4.17%
Total	**1,152,383**	**13,834**	**1.20%**

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.

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 Russia/Ukraine conflict, high inflation driven by increases in commodities and energy prices, as well as the sharp increase in market interest rates, continues to ask banks to govern the impacts of this situation with respect to credit risk and related financial statement measurements. In this regard, in 2022 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).

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 model, in particular the probability of the adverse scenario.

Please see part A, section 4 "Other aspects" and part E, section 1 "Credit risk" in the Notes for further considerations on monitoring implemented by the Bank during 2022.

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 38 contracts worth € 5.9 million in addition to 32 contracts agreed with Alba Leasing for € 5.7 million.

Credit cards: the bank was again very active in this sector with a total 19,490 credit cards issued at year end, with an increase in 554 new cards. The issue of Viacard and Telepass cards recorded 10,020 cards, a decrease of 124 cards over the previous financial year.

Consumer credit: the bank's operations in this segment were confirmed through stable amounts with respect to the previous year, strengthening the return to pre-pandemic figures. 996 personal loans were granted by the bank, both directly and through major specialised companies, for approximately € 17.2 million. To these were added the activities relative to salary-backed loans, with 137 cases finalised for a total of around € 3.3 million through the partner Itacredi S.p.A. As previously indicated, in December a new without recourse transaction was completed with

Italcredi S.p.A, for a block of loans pursuant to article 58 of TUB, in favour of Carifermo for a total amount of € 11,383 thousand.

Investments

2022 was a very bad year for financial markets. Despite the cautiously optimistic forecasts made by analyst at the end of 2021, the Russia/Ukraine war, the energy crisis and inflation took everyone by surprise and heavily impacted the stock markets which had been at historic highs at the beginning of 2022, as well as bonds which still had very low returns. Additionally, the latter category also saw the removal of central bank supports which, due to the dramatic increase in inflation, reaching levels not seen for more than twenty years, led to the start of a rising cycle in interest rates which will probably only end in 2023.
Stock prices lost over € 20 thousand billion in capitalisation and the only assets benefiting from this process were the US dollar and commodities in the energy segment.
Bond markets saw a dramatic increase in returns for all maturities due to the inflationary pressures that led all the central banks to reduce purchases of bonds and begin raising rates, in an attempt to return inflation to the 2 percent target.
At year end, the US ten-year rate was 3.90%, while the German Bund was 2.60%, the return on the BTP Italian government bonds had increased to 4.70% and the spread with the German Bund was 210 points.
With respect to exchange rates, the recovery of the US dollar over the euro ended the year at 5.83%, while the British pound lost 5.55% and the Japanese yen depreciated by 7.90%.

Asset management

The Total Return management offered by Epsilon SGR limited stock exposure throughout the year, with an additional decrease at the end of the year, ending 2022 at below 6%, reducing exposure relative to the United States. During the year, investments in bonds increased progressively by around 28% for shorter-term items, taking advantage of higher returns and utilising uninvested liquidity. The segment was represented by 57% in corporate bonds, 30% in government bonds, and 5% in global bonds in foreign currencies. Portfolio duration rose to around 1.9 years. The performance in favour of the optional strategy further reduced the duration to 6 months at the end of the year. With respect to currency exposure, the weight of emerging currencies fell to below 5%, while the weight of the US dollar was around 1%. Annual operating performance was negative (-5.38%).

The composition of short-term bond management for Epsilon SGR remained substantially in line with investments the previous year, with Italian government securities at a final exposure of 72%, while exposure to corporate securities was 28%. The duration decreased to just under 7 months, while the annual performance was negative at -0.87%.

The Total Return management mandate held by Eurizon Capital SGR, begun in April 2021 in the amount of € 50 million, saw the following investment breakdown at the end of 2022: 9% in European and US shares, 9% in high yield bond funds and the remaining portion in government securities, mainly Italian. Due to adverse market trends, performance was negative at -5.64%.

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 VaR model is used to monitor risk, for both the managed component and internal component of the portfolio.

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 carrying amount of the Bank's securities portfolio (excluding equity investments for € 22,158 thousand and the Efesto AIF for € 3,189 thousand) totalled € 1,348.6 million, up with respect to the € 1,314.3 million in 12/2021.

The breakdown of the portfolios is shown below:

HTC portfolio

HTC portfolio Carrying amounts*				
	Financial year		change vs. 12/2021	
	12/2022	12/2021	amount	%
CCT Italian treasury certificates	33,673	61,180	-27,507	-44.96%
BTP Italian government bonds	243,630	214,513	29,117	13.57%
Bonds	5,031	5,030	1	0.02%
Senior Buonconsiglio 4	7,561	8,187	-626	-7.65%
Total	**289,895**	**288,910**	**985**	**0.34%**

Table 5

At the end of the year, the HTC portfolio came to € 289.9 million, substantially in line with the value at the end of 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 2021. During the year, opportunities found on the markets as a result of developments in the economic situation led the Bank to sell securities from the HTC portfolio for a total nominal amount of € 28.1 million, for total profits of € 411 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.
The market value at 31 December 2022 was € 246,615 thousand.

HTCS portfolio

HTCS portfolio Carrying amounts				
	Financial year		change vs. 12/2021	
	12/2022	12/2021	amount	%
CCT Italian treasury certificates	511,338	493,809	17,529	3.55%
BTP Italian government bonds	370,153	419,349	-49,196	-11.73%
Bonds	1,316	0	1,316	0.00%
Total	**882,807**	**913,158**	**-30,351**	**-3.32%**

Table 6

Bonds measured at fair value through other comprehensive income (HTCS) came to € 882,807 thousand, a decrease of around € 30.35 million with respect to 31/12/2021. An assessment of the HTCS portfolio showed a negative change of € 59,073 thousand, compared to the reporting date in 2021, in the equity valuation reserve which at year end came to € - 53,976 thousand before tax. The gain made from the sale of securities of the HTCS portfolio was € 5,806 thousand.

HTS portfolio

HTS portfolio Carrying amounts							
	Financial year			change vs. 12/2021		change vs. 06/2022	
	12/2022	12/2021	06/2022	amount	%	amount	%
BOT	28,733	0	23,580	28,733	0.00%	5,153	21.85%
BTP Italian government bonds	7,528	5,729	9,235	1,799	31.40%	-1,707	-18.48%
CTZ	0	1,805	800	-1,805	-100.00%	-800	-100.00%
Derivatives	3,020	768	91	2,252	293.23%	2,929	3218.68%
Provisions	5,456	4,249	3,773	1,207	28.41%	1,683	44.61%
Bonds	129,472	93,812	94,971	35,660	38.01%	34,501	36.33%
Shares	4,385	6,402	4,356	-2,017	-31.51%	29	0.67%
Total	**178,594**	**112,765**	**136,806**	**65,829**	**58.38%**	**41,788**	**63.48%**

Table 7

The carrying amount of the portfolio of financial assets held for trading (HTS) totalled € 178.6 million, with an increase of around 58.4% thousand compared to the balance at 31/12/2021. The HTS portfolio generated net capital losses of € 6,817 thousand at the end of the year. Changes in securities in the HTS portfolio generated net trading losses totalling € 1.5 million. The net result of trading also includes the negative differential on derivatives of € 694 thousand and exchange losses of € 309 thousand.

Overall, securities and derivative activities (the sum of items 80 and 100 in profit and loss) resulted in a net loss of € 3.2 million at 31 December 2022. At the end of December, the duration of the HTCS portfolio was 1 year and 236 days, while for the HTC portfolio it was 5 years and 155 days.

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 € 3,188,930 and showed a loss of € 34,186 which was recognised in caption 110/b of the profit or loss. During the year, partial repayments of the shares were also recognised for € 259,193.

This portfolio also includes the 5% of mezzanine and junior securities attributed following the multi-originator securitisation with GACS, Buonconsiglio 4, fully written down during the year for € 22,359.

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.
At the reporting date, existing equity investments totalled € 22,158 thousand, compared to € 16,654 thousand the previous year, essentially consisting of the investment in the Bank of Italy (€ 15 million), increased during the year by the acquisition of an additional 200 units with a value of € 5 million, and that in CSE Consorzio Servizi Bancari Srl (€ 6.25 million).
During the year, Nexi S.p.A. acquired SIA S.p.A., in which Carifermo held an equity investment equal to 0.03%. Following this, the Bank obtained 91,059 Nexi S.p.A. shares, with a market

value of € 673 thousand at 31 December 2022, giving rise to capital gains of € 652 thousand recognised in an equity reserve under OCI.

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

The trend for **direct funding** during the year was down by 6.6%, both with reference to companies and households, substantially due to a recovery in consumption and investments which in fact led to a reduction in client liquidity.
At the end of the year, the balance was € 2,015.3 million, compared to € 2,158.6 million the previous year, for a decrease of around 143.3 million.
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 06/2022**		**Change since 12/2021**	
	12/2022	**06/2022**	**12/2021**	**Amount**	**%**	**Amount**	**%**
Savings deposits	95,105	99,556	104,043	- 4,451	-4.5%	- 8,938	-8.6%
Current accounts	1,786,695	1,787,638	1,935,046	- 943	-0.1%	- 148,351	-7.7%
Certificates of deposit	37,588	47,917	57,934	- 10,329	-21.6%	- 20,346	-35.1%
Third party funds under administration	90,211	74,435	54,960	15,776	21.2%	35,251	64.1%
Liabilities for assets acquired under lease	5,727	5,872	6,620	- 145	-2.5%	- 893	-13.5%
Total direct funding	**2,015,326**	**2,015,418**	**2,158,603**	**- 92**	**0.0%**	**- 143,277**	**-6.6%**

Table 8

Current accounts payable in euros and foreign currencies continued to be the most significant technical form, amounting to € 1,786,695 thousand, with a decrease of € 148,351 thousand year on year, equal to 7.7%, and account for over 88% of all of the Bank's direct funding.
The decrease in savings deposits continued, totalling € 95,105 thousand (8.6%). Certificates of deposit decreased slightly by 35.1% to € 37,588 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 47% of the total direct funding increased compared to 45.1% in the previous year. Funding from businesses decreased from 35.6% in 2021 to 33.1% at the end of 2021, while funding from artisans and family businesses was 10.2%, an increase compared to the previous year (1%).

DUE TO CUSTOMERS					
		31/12/22		**31/12/21**	
SAE	**Description**	**Amount**	**%**	**Amount**	**%**
4	COMPANIES	666,185	33.1%	769,506	35.6%
61	ARTISANS AND FAMILY BUSINESSES	206,008	10.2%	197,700	9.2%
60	HOUSEHOLDS	947,926	47.0%	974,303	45.1%
99	OTHER	195,207	9.7%	217,094	10.1%
	TOTAL	**2,015,326**	**100.0%**	**2,158,603**	**100.0%**

Table 9

Indirect funding at year end may be analysed as follows:

Description	Dec-22	Jun-22	Dec-21	Change since 06/2022		Change since 12/2021	
				Amount	%	Amount	%
Government bonds	198,480	166,958	161,246	31,522	18.88%	37,234	23.09%
Bonds	20,449	18,238	20,382	2,211	12.12%	67	0.33%
Shares	97,417	94,185	107,547	3,232	3.43%	-10,130	-9.42%
Total administered funds	**316,346**	**279,381**	**289,175**	**36,965**	**13.23%**	**27,171**	**9.40%**
Funds and OEIC units	452,639	457,532	511,582	-4,893	-1.07%	-58,943	-11.52%
Asset management	36,979	38,121	39,291	-1,142	-3.00%	-2,312	-5.88%
Total managed funds	***489,618***	***495,653***	***550,873***	***-6,035***	***-1.22%***	***-61,255***	***-11.12%***
Total indirect funding	***805,964***	***775,034***	***840,048***	***30,930***	***3.99%***	***-34,084***	***-4.06%***
Insurance and pension products	638,303	627,763	625,998	10,540	1.68%	12,305	1.97%
Total	**1,444,267**	**1,402,797**	**1,466,046**	**41,470**	**2.96%**	**-21,779**	**-1.49%**

Table 10

Indirect funding, including insurance and pension products, amounted to a total of € 1,444,267 thousand, down by 1.49% compared to the figure at the end of 2021, influenced by the negative performance of the markets.

The component related to administered and managed funds came to a total of € 805,964 thousand, down by 4.06% compared to 12/2021.

The details for administered funds show an overall increase of 9.4% with respect to the previous year, with an approximately 9.4% decrease in shares, and an increase of 23.09% in government securities.

The managed funds sector decreased, recording a total balance in the year of € 489,618 thousand compared to 12/2021, equal to -11.12%. Insurance products saw a slight increase and, together with pension products, came to € 638,303 thousand, up by 1.97% with respect to the previous year.

As a whole, the administered assets, against the aforesaid performance of direct and indirect funding, decreased by 4.55%:

Description	Dec-22	Jun-22	Dec-21	Change since 06/2022		Change since 12/2021	
				Amount	%	Amount	%
Direct funding	2,015,326	2,015,418	2,158,603	-92	0.00%	-143,277	-6.64%
Indirect funding	1,444,267	1,402,797	1,466,046	41,470	2.96%	-21,779	-1.49%
Total	**3,459,593**	**3,418,215**	**3,624,649**	**41,378**	**1.21%**	**-165,056**	**-4.55%**

Table 11

INCOME STATEMENT

The reclassified statement of profit and loss identifies the most significant economic margins, utilising the same reclassification schedule as in previous years[1].

Reclassified profit or loss

Tax base	12/2022	12/2021	difference	
			amount	%
Net interest income	**63,994**	**33,225**	**30,769**	**92.61%**
Dividends	1,229	938	291	31.02%
Net fee and commission income	25,392	25,094	298	1.19%
Net trading income (expense) – HTS, HTCS and HTC portfolios	-3,166	14,559	-17,725	-121.75%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-56	-556	500	-89.93%
Total income	**87,393**	**73,260**	**14,133**	**19.29%**
Other operating income	4,288	5,223	-935	-17.90%
Net operating income	**91,681**	**78,483**	**13,198**	**16.82%**
Personnel expense	-25,321	-25,673	352	-1.37%
Administrative expenses	-21,178	-20,322	-856	4.21%
Amortisation and depreciation	-2,463	-2,556	93	-3.64%
Operating costs	**-48,962**	**-48,551**	**-411**	**0.85%**
Operating profit	**42,719**	**29,932**	**12,787**	**42.72%**
Net accruals to (utilisations of) provisions for risks and charges	-1,430	-173	-1,257	726.59%
Net impairment losses on loans and receivables	-3,893	-5,946	2,053	-34.53%
Net gains on held-to-maturity and other long-term investments	2	4	-2	-50.00%
Pre-tax profit from continuing operations	**37,398**	**23,817**	**13,581**	**57.02%**
Income taxes	-12,833	-8,794	-4,039	45.93%
Profit (loss) from groups of discontinued operations	0	0	0	0.00%
Net gain	**24,565**	**15,023**	**9,542**	**63.52%**

Table 12

The individual balances are shown below:

Net interest income

Tax base	12/2022	12/2021	difference	
			amount	%
Interest income:	***68,129***	***35,640***	***32,489***	***91.16%***
- Ordinary customers	28,589	24,685	3,904	15.81%
- Securities portfolio	35,872	9,739	26,133	268.33%
- Banks	3,669	1,216	2,453	201.68%
Interest expense:	***-4,135***	***-2,415***	***-1,720***	***71.22%***
- Ordinary customers	-2,536	-1,675	-861	51.38%
- Certificates of deposit	-398	-561	162	-28.92%
- Banks	-1,201	-179	-1,021	570.01%
Net interest income	**63,994**	**33,225**	**30,769**	**92.61%**

Table 13

Net interest income closed the year at € 63,994 thousand compared to the € 33,225 thousand in the previous year, recording an increase of 92.61%. Net interest income was significantly influenced by the increase in interest income in the finance sector, totalling € 35,872 thousand, up by around € 26,133 thousand. This large rise was due to the composition of the portfolios, which include variable rate securities for around 73% (CCT and BTP inflation), positively influenced by the increase in market rates and in inflation.

[1] The item "Net trading income (expense) - HTS, HTCS and HTC portfolios" is the sum of items 80 and 100 in profit and loss.
"Net impairment losses on loans and receivables" is the sum of items 130 and 140 in profit and loss.

Interest income from customers, for a total of € 28,589 thousand, increased by around 15.8% due to higher interest rates receivable and higher amounts. Interest expense from customers, for € 2,536 thousand, also rose by around € 860 thousand.
Interbank net interest income, for around € 2,468 thousand, grew by around 138%, positively influenced by the ECB refinancing operations (TLTRO). The ECB loan for TLTRO fell to € 460 million following early repayment on a voluntary basis in December, in the amount of € 30 million.

With respect to interest rates for customers, interest rates receivable rose from an average of 2.07% the previous year to an average of 2.38% for 2022 + 32 basis points. The average rate payable for customer funding remained stable at 0.10%. As a whole, the margin on rates for ordinary customers increased by 32 bps, falling from 1.97% on average at 31 December 2021 to 2.29% at 31 December 2022.

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

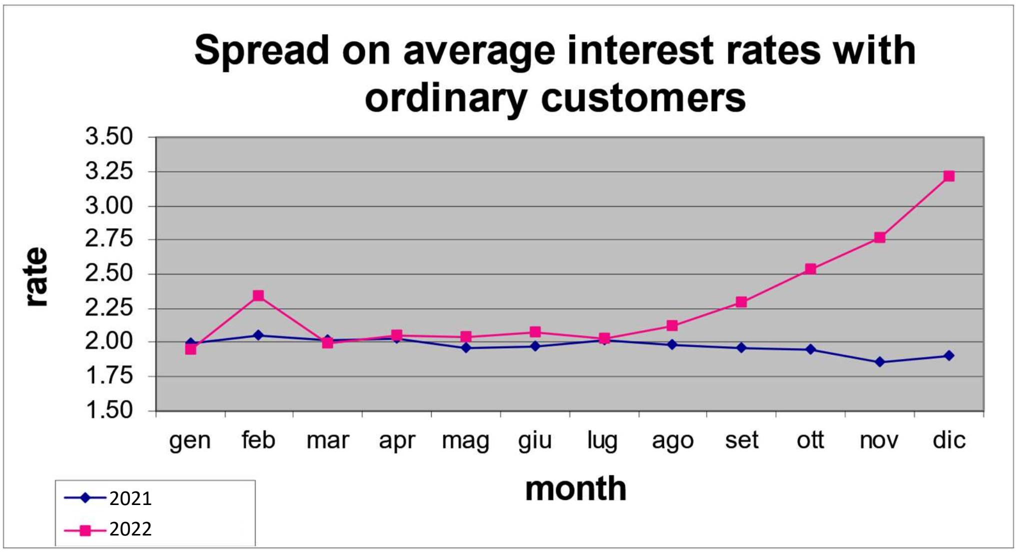

Table 14

Net operating income

Tax base	12/2022	12/2021	difference amount	difference %
Net interest income	**63,994**	**33,225**	**30,769**	**92.61%**
Dividends	1,229	938	291	31.02%
Net fee and commission income	25,392	25,094	298	1.19%
Net trading income (expense) – HTS, HTCS and HTC portfolios	-3,166	14,559	-17,725	-121.75%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	-56	-556	500	89.93%
Other operating income	4,288	5,223	-935	-17.90%
Net operating income	**91,681**	**78,483**	**13,198**	**16.82%**

Table 15

Net operating income amounted to € 91,681 thousand, an increase on the previous financial year for approximately € 13.2 million (+16.82%).

Dividends collected during the year rose, going from the previous € 938 thousand to the current € 1,229 thousand, due to the increase in the equity investment in Bank of Italy.

Net fee and commission income totalled € 25,392 thousand, a slight increase on the figure at 31 December 2021 by around 1.19%. Fee and commission income totalled € 28,046 thousand, with growth of 3.56% with respect to the previous year, mainly due to the increase in fee income from payment services, totalling € 15,055 thousand (+5.08% with respect to 31 December 2021) and the increase in commission income for distribution of third party services, totalling € 5,651

thousand (+7.8% with respect to the end of 2021). Within this segment, commission income from insurance products fell by around 1.3% while commission income from other third party products (credit cards, POS, consumer loans, etc.) rose by around 20.5%.
Fee and commission income for financial instruments came to € 5,166 thousand, down by around 6.33% with respect to the end of the previous year. Within the category, commissions on securities placement fell by 5.73%, while commissions for order receipt and transmission and commissions for order execution fell respectively by 10.2% and 16.4%.

The net gain from HTS, HTCS and HTC financial assets (referring to the sum of profit or loss captions 80 and 100) was negative and totalled € -3,166 thousand against € 14,559 thousand in 2021[2]. More specifically, the HTS portfolio registered a net loss of € -9,382 thousand (2 million at 31 December 2021), while profits from disposal of HTCS financial assets amounted to € 5,806 thousand, compared to € 10,626 thousand at 31 December 2021. As reported above, at the beginning of the year securities from the HTC portfolio were sold for a nominal amount of € 28.1 million in compliance with the Financial Risk Policy. Profits realised from the transaction came to € 411 thousand. To this result is added dividends for € 1.2 million (938 thousand at 31 December 2021).

“Other operating income” decreased by € 4,288 thousand compared to the previous financial year, to € 935 thousand.

Operating profit

Tax base	12/2022	12/2021	difference	
			amount	%
Net operating income	**91,681**	**78,483**	**13,198**	**16.82%**
Personnel expense	-25,321	-25,673	352	1.37%
Administrative expenses	-21,178	-20,322	-856	-4.21%
Amortisation and depreciation	-2,463	-2,556	93	3.64%
Operating costs	**-48,962**	**-48,551**	**-411**	**0.85%**
Operating profit	**42,719**	**29,932**	**12,787**	**42.72%**

Table 16

Operating profit closed at € 42,719 thousand, with a significant change compared to the previous financial year (42.72%). Operating costs rose by around € 411 thousand, mainly due to higher administrative expenses, which increased by 4.21%. This increase is mainly associated with charges for the European Resolution Fund and the Interbank Deposit Protection Fund which increased by 21.1% (€ +454 thousand), with services received from third parties, which rose by around 11.8% (€ +559 thousand) and the increase in costs for lighting and heating of around € 678 thousand (+146.2%) following the dramatic increases in energy costs during the period.

Personnel expense were € 25,321 thousand, down by around 1.37% compared to the previous year.

Pre-tax profit from continuing operations

[2]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.

Tax base	12/2022	12/2021	difference	
			amount	%
Operating profit	**42,719**	**29,932**	**12,787**	**42.72%**
Net accruals to (utilisations of) provisions for risks and charges	-1,430	-173	-1,257	-726.59%
Net impairment losses on loans and receivables	-3,893	-5,946	2,053	34.53%
Net gains on held-to-maturity and other investments	2	4	-2	-50.00%
Pre-tax profit from continuing operations	**37,398**	**23,817**	**13,581**	**57.02%**

Table 17

Provisions for risks and charges showed net provisioning of € 1,430 thousand, analytically determined in line with the detailed examination of estimated risks associated with existing legal disputes and unsecured loans.

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 net impairment losses for € 3,893 thousand (recognisable as the sum of captions 130 and 140 in the p rofit or loss). The cost of credit for 2022 was 0.31%, compared to 0.83% at the end of 2021, which included the net loss from disposal of NPLs of around € 4,477 thousand recognised under item 100 in the statement of profit and loss. At year end, the caption included specific impairment losses on NPLs for € 8,862 thousand, compared to impairment gains for € 7,134 thousand.

The pre-tax profit from continuing operations amounted to € 37,398 thousand compared to € 23,817 thousand for the previous year.

Profit for the year

Tax base	12/2022	12/2021	difference	
			amount	%
Pre-tax profit from continuing operations	**37,398**	**23,817**	**13,580**	**57.02%**
Income taxes	-12,833	-8,794	-4,039	-45.93%
Net gain	**24,565**	**15,023**	**9,542**	**63.52%**

Table 18

Estimated direct taxes for the year came to € 12,833 thousand compared to € 8,794 thousand for the previous financial year. Accordingly, the profit for 2022 amounted to € 24,565 thousand.

Comprehensive income

Comprehensive income for 2022 ended with a negative amount of € -13,374 thousand, impacted by capital losses from the HTCS portfolio.
As described in the previous sections, an assessment of the HTCS portfolio showed a negative change of € 59,073 thousand, compared to the reporting date in 2021, in the equity valuation reserve which in late 2022 came to € - 53,976 thousand before tax.

Tax base	12/2022	12/2021	difference	
			amount	%
Profit for the year	**24,565**	**15,023**	**9,542**	**63.52%**
Items, net of tax, that will not be reclassified to profit or loss				
Equity instruments at fair value through other comprehensive income	366	- 14	380	-2627.27%
Defined benefit plans	1,276	- 222	1,498	-673.72%
Financial assets (other than equity instruments) at fair value through other comprehensive income	- 39,581	- 60	- 39,520	65802.79%
Other comprehensive expense, net of tax	**- 37,939**	**- 297**	**- 37,642**	**12677,22%**
Comprehensive income	**- 13,374**	**14,726**	**- 28,100**	**-190.82%**

Table 19

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 used cash flows of € 316,645 thousand. This includes € 29,431 thousand from operations, while financial assets and financial liabilities used cash of € 150,880 thousand and € 195,196 thousand, respectively.
Investing activities absorbed cash flow for a total of € 906 thousand.
As a result, the cash used at year end was € 323,629 thousand.

Indicators

The following table shows the main financial statements indicators compared with the previous year[3]:

Financial statements indicators	dic-22	dic-21
Capitalisation ratios:		
Equity / total assets	6.01%	6.23%
CET1 ratio	18.45%	19.68%
Tier 1 ratio	18.45%	19.68%
Total capital ratio	18.45%	19.68%
Non-current assets/Equity	10.95%	10.74%
Net NPE/Equity	13.18%	10.05%
Own funds/third-party funds	8.06%	8.42%
Risk ratios:		
Net NPE/net exposures	1.82%	1.61%
Gross NPE/gross exposures	5.37%	4.94%
Gross NPL/gross exposures	8.10%	9.19%
Net NPL/net exposures	3.27%	4.11%
Texas Ratio (net NPL/own funds)	22.44%	25.91%
Coverage ratio for performing exposures	1.20%	1.07%
Allowance for impairment/total exposures	6.13%	6.31%
Profitability ratios:		
Net interest income /total income	73.23%	45.35%
Gains from financial transactions / total income	-2.22%	21.15%
Cost of credit (including loss on NPL sales)	0.31%	0.83%
Gross operating profit / equity	25.43%	16.46%
Profit for the year / equity (ROE)	15.13%	8.26%
ROA	0.91%	0.51%
Pre-tax profit / Total assets (ROA)	1.39%	0.82%
Tax rate	34.32%	36.92%
Net other administrative expenses/total income	24.23%	27.74%
Personnel expense / total income	28.97%	35.04%
Administrative expenses/total income	53.21%	62.78%
Cost/income	52.75%	59.38%
Fair value losses/gains on securities	48.94%	58.86%
Administrative expenses/total assets	1.72%	1.58%
Productivity - Distribution efficiency:		
Net loans and receivables with customers/employees	3,392	3,214
Direct Funding/Employees	5,808	6,115
Total income/average employees	250.052	208.125
Average employees/branches	6.132	6.175
Cost per employee	70.79	71.40
Loans and Receivables with Customers and Direct Funding/Average Employees	9,134	9,356
Total assets/employees	7.781	8.264
Loans and Receivables with Customers and Direct Funding/Branches	56,007	57,775
Branch employees/employees	67.72%	68.56%

Table 20

Capitalisation ratios were at high levels, although lower than those seen the last year, mainly due to significant capital losses incurred in the HTCS portfolio mentioned above.
The value of indicators considers the application of temporary treatment of unrealised profit and loss at fair value through other comprehensive income, in line with article 468 of Regulation EU 575/2013, as amended by Regulation EU 202/873 of 24 June 2020 (CRR Quick-Fix) and the transitional regulations relative to the deferral of losses from first time application of IFRS 9 over

[3] "Non-current assets" consist of the items Property, plant and equipment and Intangible assets.
"Own funds" are represented by equity, while "third-party funds" are represented by direct funding.
"Gains from financial transactions" consist of the items "Dividends" and "Net trading income (expense) - HTS, HTCS and HTC portfolios" in reclassified profit or loss.
The "cost of credit" is calculated as the ratio between the sum of the item "Net impairment losses (gains) for credit risk" in profit and loss and losses from NPLs and gross loans to customers.
"Cost/income" is calculated as the ratio between Net interest and other banking income and Operating costs in profit and loss, while "fair value losses/gains on securities" does not consider the valuation result of HTS securities.

5 financial years at increasing percentages, taking into account the proposal for distribution of dividends.

The Gross NPL/Gross Exposures and Net NPL/Net Exposures indicators respectively were at 8.1% and 3.27%, showing significant improvement with respect to the previous year. The Texas Ratio also fell with respect to 31 December 2021 and the Cost of Credit, at 0.31%, improved. As regards the value of loans and receivables 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 highly significant at 1.2%.

"*Cost/income*", calculated as the ratio between operating costs and net interest and other banking income, is in a significant improvement (52.75%).
The ROE was 15.13% compared to 8.26% in the previous financial year, while the ROA reached 1.39%.

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

Objectives of the 2022 business plan: have they been met

On 29 March 2022, the 2022-2024 Strategic Plan was approved, prepared in line with development lines consistent with the macrodrivers supplied by the Board of Directors in terms of performance expectations (risk/return), capital adequacy (prudential ratios), and qualitative/quantitative business development.

The quantitative objectives for 2022 compared with the actual figure are shown below:

- **Lending**, gross of impairment losses, amounted to € 1,254 million, higher by around 1.5% than the lending estimated for the end of 2022, amounting to € 1,235.4 million. In detail, performing exposures exceeded the envisaged target by around 2.5%, as did non-performing exposures, which were around 8.8% lower than the target set. Net of writedowns, loans and receivables with customers came to € 1,161.4 million and net performing exposures came to € 1,138.5 million (+2.4% with respect to the objective in the Plan).

GROSS EXPOSURES customers	Business Plan	Actual	Difference Cons. Business Plan	
	2022	2022	Assess.	%
Performing	1,123,992	1,152,383	28,391	2.5%
Non-Performing	111,348	101,574	-9,774	-8.8%
Total gross lending	**1,235,340**	**1,253,957**	**18,617**	**1.5%**

NET EXPOSURES customers	Business Plan	Actual	Difference Cons. Business Plan	
	2022	2022	Assess.	%
Performing	1,112,190	1,138,549	26,359	2.4%
Non-Performing	49,202	38,536	-10,666	-21.7%
Total net lending	**1,161,392**	**1,177,085**	**15,693**	**1.4%**

Table 21

- **Direct funding** was higher than the provisional figure by around 3.6%

Direct Funding	Business Plan 2022	Actual 2022	Difference Cons. Business Plan 2022 Assess.	%
Savings deposits	99,777	95,105	-4,672	-0.4%
Current accounts	1,722,191	1,786,695	64,504	3.7%
Certificates of deposit	61,410	37,588	-23,822	-38.8%
Third party funds under administration	55,290	90,211	34,921	63.2%
Payables for lease liabilities	7,000	5,727	-1,273	-18.2%
Total direct funding	**1,945,668**	**2,015,326**	**69,658**	**3.6%**

Table 22

- **Indirect funding** amounted to € 1,444.3 million, a total of around 4.4% lower than the provisional figure. The growth in administered funds was significant, in particular for government securities which exceeded the Plan objective by around 39.3%, while managed assets and insurance policies fell short of the objectives, respectively by 17.4% and 4.3%, negatively impacted by financial market trends.

Indirect Funding and Insurance	Business Plan 2022	Actual 2022	Difference Cons. Business Plan Assess.	%
Government and Fixed Income Securities	157,108	218,929	61,821	39.3%
Equities	93,028	97,417	4,389	4.7%
Managed Assets	592,739	489,618	-103,121	-17.4%
Insurance Assets	667,314	638,303	-29,011	-4.3%
Total Indirect Funding	**1,510,189**	**1,444,267**	**-65,922**	**-4.4%**

Table 23

- **Profit for the year** came to € 24,565 thousand, significantly surpassing the objective set by the plan for 2022. Specifically
  1. **Net interest income** exceeded the objectives set in the Business Plan by around € 24.7 million, mainly driven by increased interest income on inflation linked and variable rate securities.
  2. **Net fee and commission income**, totalling € 25.4 million, was substantially in line with the objective set out by the plan (-1.7%).
  3. **Net trading income (expense)** had an overall negative result of € 3.2 million. The results of trading for the HTCS and HTC portfolios were substantially in line with that forecast in the Business Plan, while capital losses from securities in the HTS portfolio exceeded forecasts.
  4. **Personnel expense** was slightly lower than the objective (-1.1%), while **Other Administrative Expense** was higher than that estimated by around 5.9%, mainly due to increased costs for services from third parties, IDPF contributions and costs for lighting and heating.
  5. **Net impairment losses on loans and receivables** were less than initially expected at the time of strategic planning, mainly due to higher amounts collected on significant impaired positions.

Profit or loss	Business Plan	Actual	Difference Cons. Business Plan	
	2022	2022	Assess.	%
Interest income	30,483	68,129	37,646	123.5%
Interest expense	-1,378	-4,135	-2,757	200.1%
Net interest income	**39,269**	**63,994**	**24,725**	**63.0%**
Net fee and commission income	**25,838**	**25,392**	**-446**	**-1.7%**
Dividends	1,075	1,229	154	14.3%
Net trading income (expense)	2,120	-3,222	-5,342	-252.0%
Total income	**68,302**	**87,393**	**19,091**	**28.0%**
Personnel Expense	-25,593	-25,321	272	-1.1%
Other administrative expenses	-20,192	-21,178	-986	4.9%
Amortisation	-2,600	-2,461	139	-5.3%
Other operating income, net	4,223	4,288	65	1.5%
Operating profit	**24,140**	**42,721**	**18,581**	**77.0%**
Impairment/losses (gains) on loans and receivables	-8,796	-3,893	4,903	-55.7%
Net accruals provisions risks and charges	-1,000	-1,430	-430	43.0%
Pre-tax profit from continuing operations	**14,344**	**37,398**	**23,054**	**160.7%**
Income taxes	-5,594	-12,833	-7,239	129.4%
Profit for the year	**8,750**	**24,565**	**15,815**	**180.7%**

Table 24

- Profitability and risk indicators improved with respect to that expected at the time of strategic planning. With reference to capital adequacy indicators, the difference with respect to that envisaged in the Business Plan is substantially due to capital losses from the HTCS portfolio, as previously illustrated.

Financial Statements Indicators	Business Plan	Actual
	2022	2022
Capital adequacy		
CET1R	19.53%	18.45%
T1R	19.53%	18.45%
TCR	19.53%	18.45%
Profitability Ratios:		
Cost-to-income Ratio	66.10%	52.75%
Pre-tax profit/Total assets (ROA)	0.53%	1.39%
Profit for the year/Equity (ROE)	4.74%	15.13%
Credit risk		
Gross NPLR	9.01%	8.10%
Net NPLR	4.24%	3.27%
Gross NPE/gross lending	4.87%	5.37%
Net NPE/net lending	3.37%	1.82%
Texas ratio	27.1%	22.44%
Coverage ratio		
- NPL	55.80%	62.06%
- past due	18.15%	16.33%
- Unlikely-to-pay exposures	45.45%	50.49%
- bad exposures	65.0%	68.20%
- Performing	1.1%	1.20%

Table 25

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 2023 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 below the 85% identified by the Board of Directors as the prudential threshold.

With respect to corporate profits, the Board of Directors holds that the Bank has maintained adequate profit margins, as envisaged in the 2022-2024 Business Plan approved on 20 March 2022, and updated with the forecasts in the 2023-2024 Business Plan sent to the Ban of Italy on 15/02/2023.

It is sufficient to consider the following:

a. The Bank has never ended a financial year with a loss, despite continued unfavourable years with respect to the external situation;
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 Business Plan for 2022-2024 includes a wide-ranging programme of actions designed to improve the Bank's efficiency, with balanced growth in loans and managed assets.

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

Outlook

The Russia/Ukraine war continues to inject significant instability in the macroeconomic situation and the consequences for the Italian economy in coming years are still highly uncertain. According to Bank of Italy estimates, energy prices will remain relatively high in 2023, gradually falling in the next two years while global commerce may slow significantly in 2023, suffering from the effects of high inflation and the uncertainty linked to the conflict in Ukraine, returning to stronger growth only in 2024-2025.
Nominal interest rates may continue to rise this year, returning to stability in the following two years. GDP is predicted to rise by 0.6% in 2023, by 1.2% in 2024 and by in 2025. Inflation totalled 8.7% in 2022 and is expected to fall to 6.5% in 2023, with a more significant decrease to 2.6% in 2024, followed by 2% in 2025. Central banks will continue their policy of raising interest rates and by the end of 2023 a rate of 3.25% is expected (source: ABI Financial Outlook, December 2022), which should represent the peak for the ECB's policy of interest rate increases. Hence, on one hand banks will need to handle the impact of lower economic contributions in terms of growth in assets and credit quality and, on the other, to manage funding policies in the new scenario of interest rate growth.
In this complex context, the Bank will once again carry out its mission to serve as a reference point, assisting the system of small and medium enterprises and households in its area, maintaining its widespread presence in its various areas and sectors of operation, to support economic growth, serving as strategic driver for the recovery.

The 2022-2024 Business Plan, approved in March 2022, confirmed the strategic and development objectives the Bank intends to pursue by maintaining a traditional business model and its "local bank" status, meeting the demand for health credit, with particular attention to small and retail businesses.

In January 2023, the Bank, as well as all other less significant banks, received a request from the Supervisory Authority to carry out ad hoc analysis with regards to developing financial projections, based on updated macroeconomic scenarios, to evaluate the solidity of capital projections and the financing capacity of the Bank's business, to more readily identify potential vulnerabilities. Hence, on 15 February the update of numeric projections for 2023 and 2024 were sent to the Bank of Italy, with respect to that initially stated in the Business Plan, confirming the strategic actions present in the Plan in question.

The Bank is aware that the impact of geopolitical tensions related to the war between Russia and Ukraine, inflation and increased interest rates 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 the evaluation of non-performing exposures was strengthened, as was the credit monitoring activity, in order to anticipate critical issues, also determining a significant improvement in the overall coverage rate from 58.13% to 62.06%. 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.

The securities portfolio is expected to decrease, in line with repayments of the TLTRO loan and risk splitting will continue through diversification, mainly through management mandates which work with various instruments other than Italian government securities.

In terms of operating efficiency, over the last three years the Bank has implemented a strategy which has 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, although an increase in administrative expense is expected in the coming year, in part due to inflation effects. To that end, it will continue activities to reorganise and improve the distribution model for the commercial network, as defined in the Business Plan.

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

As we come to the end of this report on operations for 2022, we once again remember Chairman Amedeo Grilli for the extraordinary contribution he made not only to the development of our Bank, but also the economic, social and cultural life of our local area.

We thank our customers who have continued to demonstrate their trust and continue to choose Cassa di Risparmio di Fermo S.p.A. as their bank in what definitely has not been an easy year, with the conviction that the Bank has always 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, Pietro Raffa, and the Ancona branch manager, Maurizio Cannistraro, for their availability as well as all the personnel at those two branches for their assistance.

for the board of directors
The Chair

Fermo, 28 March 2023

BALANCE SHEET: ASSETS

	Assets	12/2022	12/2021
10.	Cash and cash equivalents	32.587.735	356.216.900
20.	Financial assets measured at fair value through profit or loss	181.782.713	116.259.859
	a) financial assets held for trading;	*178.593.783*	*112.765.194*
	c) other financial assets mandatorily measured at fair value	*3.188.930*	*3.494.665*
30.	Financial assets measured at fair value through other comprehensive income	904.965.945	929.812.082
40.	Financial assets measured at amortised cost	1.484.481.319	1.443.565.645
	a) loans to banks	*17.665.243*	*20.196.407*
	b) loans to customers	*1.466.816.076*	*1.423.369.238*
80.	Property, Plant and Equipment	17.633.001	19.398.213
90.	Intangible assets	149.509	131.423
100.	Tax assets	33.392.496	17.264.009
	a) current	*3.235.788*	*2.848.695*
	b) deferred	*30.156.708*	*14.415.314*
120	Other assets	44.864.189	34.496.102
	Total assets	**2.699.856.907**	**2.917.144.233**

BALANCE SHEET: LIABILITIES

	Liabilities and equity	12/2022	12/2021
10.	Financial liabilities measured at amortised cost	2.477.123.292	2.649.086.240
	a) due to banks	*461.797.053*	*490.483.398*
	b) due to customers	*1.977.738.842*	*2.100.669.049*
	c) securities issued	*37.587.397*	*57.933.793*
20.	Financial liabilities held for trading	460.946	80.030
60.	Tax liabilities	7.913.937	*10.593.399*
	a) current	*6.648.822*	*7.349.943*
	b) deferred	*1.265.115*	*3.243.456*
80.	Other liabilities	37.118.525	59.485.427
90.	Employee termination indemnities	5.194.890	5.909.685
100.	*Provisions for risks and charges:*	*9.662.325*	*10.154.610*
	a) loan commitments and financial guarantees given	*199.013*	*110.646*
	b) pension and similar obligations	*5.094.396*	*7.016.677*
	c) other provisions	*4.368.916*	*3.027.287*
110.	Valuation reserves	- 22.419.101	15.519.908
140.	Reserves	86.335.779	77.390.615
150.	Share premium reserves	34.660.068	34.660.068
160.	Share capital	39.241.087	39.241.087
180.	Profit for the year	24.565.159	15.023.164
	Total liabilities and shareholders' equity	**2.699.856.907**	**2.917.144.233**

INCOME STATEMENT

	Tax base	12/2022	12/2021
10.	Interest and similar income	68.129.076	35.639.975
	including: interest calculated using the effective interest method	*66.453.130*	*34.004.310*
20.	Interest and similar expense	- 4.135.141	- 2.414.978
30.	**Net interest income**	**63.993.935**	**33.224.997**
40.	Fee and commission income	28.046.469	27.080.149
50.	Fee and commission expense	- 2.654.654	- 1.986.422
60.	**Net fee and commission income**	**25.391.815**	**25.093.727**
70.	Dividends and similar income	1.229.113	938.143
80.	Net income from trading activities	- 9.382.466	2.134.842
100.	Gains (Losses) on disposal or repurchase of:	6.216.949	12.424.009
	a) financial assets at amortised cost	*411.133*	*1.798.433*
	b) financial assets at fair value through other comprehensive income	*5.805.816*	*10.625.576*
	c) financial liabilities	*-*	*-*
110.	*Net loss on other financial assets and liabilities at fair value through profit or loss*	- 56.545	- 555.850
	a) financial assets and liabilities designated at fair value	*-*	*-*
	b) other financial assets mandatorily measured at fair value	*- 56.545*	*- 555.850*
120.	**Net interest and other banking income**	**87.392.801**	**73.259.868**
130.	Net impairment losses for credit risk associated with:	- 3.924.819	- 5.721.857
	a) financial assets at amortised cost	*- 3.808.498*	*- 5.567.745*
	b) financial assets at fair value through other comprehensive income	*- 116.321*	*- 154.112*
140.	*Gains (Losses) from contractual modifications without derecognition*	*31.929*	*- 224.114*
150.	**Net financial income**	**83.499.911**	**67.313.897**
160.	Administrative expenses:	- 46.498.289	- 45.994.919
	a)personnel expense	*- 25.320.501*	*- 25.673.024*
	b)other administrative expenses	*- 21.177.788*	*- 20.321.895*
170.	Net accruals to provisions for risks and charges	- 1.429.996	- 173.179
	a) loan commitments and financial guarantees given	*- 88.367*	*2.785*
	b) other	*- 1.341.629*	*- 175.964*
180.	Net adjustments to property, plant and equipment	- 2.386.517	- 2.486.139
190.	Net adjustments to intangible assets	- 76.879	- 69.980
200.	Other operating expense/income	4.288.091	5.223.384
210.	**Operating costs**	**- 46.103.590**	**- 43.500.833**
250.	Gains (losses) on disposal of investments	2.136	3.993
260.	**Profit (Loss) from current operations before tax**	**37.398.457**	**23.817.057**
270.	Income taxes	- 12.833.298	- 8.793.893
280.	**Profit (Loss) from current operations after tax**	**24.565.159**	**15.023.164**
300.	**Profit for the year**	**24.565.159**	**15.023.164**

STATEMENT OF COMPREHENSIVE INCOME

	Tax base	12/2022	12/2021
10.	**Profit for the year**	**24,565,159**	**15,023,164**
	Items, net of tax, that will not be reclassified to profit or loss:		
20.	Equity instruments measured at fair value through other comprehensive income	365,570	- 14,465
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	1,275,976	- 222,403
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) measured at fair value through other comprehensive income	- 39,580,555	- 60,059
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**	**- 37,939,009**	**- 296,927**
180.	**Comprehensive income (expense) (captions 10 + 170)**	**- 13,373,850**	**14,726,237**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31/12/2022

	Esistenze al 31/12/2021	Change to opening balances	Esistenze al 01/01/2022	Allocation of prior year profit		Changes for the year								Patrimonio netto al 31/12/2022
						Changes in reserves	Equity transactions						Redditività complessiva esercizio al 31/12/2022	
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options		
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:	**77.390.615**	**-**	**77.390.615**	**8.945.164**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**86.335.779**
a) income-related	84.526.072	-	84.526.072	8.945.164	-	-	-	-	-	-	-	-	-	93.471.236
b) other	- 7.135.457	-	- 7.135.457	-	-	-	-	-	-	-	-	-	-	- 7.135.457
Valuation reserves:	**15.519.908**	**-**	**15.519.908**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-37.939.009**	**- 22.419.101**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**15.023.164**	**-**	**15.023.164**	**- 8.945.164**	**- 6.078.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24.565.159**	**24.565.159**
Shareholders' Equity	**181.834.842**	**-**	**181.834.842**	**-**	**- 6.078.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-13.373.850**	**162.382.992**

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

	Esistenze al 31/12/2020	Change to opening balances	Esistenze al 01/01/2021	Allocation of prior year profit		Changes for the year								Patrimonio netto al 31/12/2021
						Changes in reserves	Equity transactions						Redditività complessiva esercizio al 31/12/2021	
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*		
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**
Shareholders' Equity	**168.172.255**	**-**	**168.172.255**	**-**	**- 1.063.650**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14.726.237**	**181.834.842**

STATEMENT OF CASH FLOWS: indirect method

A. OPERATING ACTIVITIES	Amount	
	12/2022	12/2021
1. Operations	**29.431.273**	**12.782.283**
- profit for the year	24.565.159	15.023.164
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income (-/+)	5.963.171	94.692
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses (gains) for credit risk (+/-)	5.755.465	4.362.681
- Net adjustments to property, plant and equipment and to intangible assets (+/-)	2.667.611	2.721.622
- Net provisions for risks and charges and other costs/revenue (+/-)	- 4.512.700	- 2.019.967
- unpaid taxes and duties (+/-)	12.833.298	8.793.893
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups, net of tax (+/-)	-	-
- other adjustments (+/-)	- 17.840.731	- 16.193.802
2. Cash flows generated by/used for financial assets	**- 150.880.020**	**- 484.015.485**
- financial assets held for trading	- 74.013.108	28.151.556
- financial assets designated at fair value	-	-
- other assets mandatorily measured at fair value	249.190	- 5.079.132
- financial assets at fair value through other comprehensive income	- 27.722.140	- 420.417.959
- financial assets at amortised cost	- 42.768.436	- 78.017.218
- other assets	- 6.625.526	- 8.652.732
3. Cash flows generated by financial liabilities	**- 195.196.360**	**710.802.798**
- financial liabilities at amortised cost	- 171.962.949	676.258.045
- financial liabilities held for trading	380.916	- 81.863
- financial liabilities designated at fair value	-	-
- other liabilities	- 23.614.327	34.626.616
Net cash flows generated by/used in operating activities	**- 316.645.107**	**239.569.596**
B. INVESTING ACTIVITIES		
1. Cash generated by	**2.626**	**4.638**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of property, equipment and investment property	2.626	4.638
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**- 908.684**	**- 425.392**
- equity investments	-	-
- property, equipment and investment property	- 813.719	- 85.331
- intangible assets	- 94.965	- 340.061
- business units	-	-
Net cash flows used in investing activities	**- 906.058**	**- 420.754**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividend and other distributions	- 6.078.000	- 1.063.650
Net cash flows used in financing activities	**- 6.078.000**	**- 1.063.650**
NET CASH FLOWS FOR THE YEAR	**- 323.629.165**	**238.085.192**

Key: (+) generated; (-) used

Reconciliation:

FINANCIAL STATEMENT ITEMS	Amount	
	12/2022	12/2021
Opening cash and cash equivalents	356,216,900	118,131,708
Net cash flows for the year	- 323,629,165	238,085,192
Cash and cash equivalents: exchange gains (losses)	-	-
Closing cash and cash equivalents	32,587,735	356,216,900

EXPLANATORY NOTES

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 2022 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 of 29 October 2021 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.

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 2022

The following IFRS accounting standards, amendments and interpretations were applied by the bank for the first time as of 1 January 2022:

- 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.

The adoption of these amendments had no effect on the bank's financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT YET ADOPTED BY THE BANK AT 31 December 2022

- 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.

- 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 from adopting this amendment.
- 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. - The directors do not expect a significant effect on the bank's financial statements from adopting these amendments.

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 2024; however, early application is permitted. The directors do not expect a significant effect on the bank's financial statements from adopting these amendments.
- On 22 September 2022 the IASB published an amendment entitled "***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback***". The document requires the seller/lessee to measure the liability for leases associated with a sale and leaseback transaction so as to not recognise either profit or loss relative to the right of use retained. The changes will apply from 1 January 2024, but early application is permitted. The directors do not expect a significant effect on the bank's financial statements from adopting this amendment.

Section 2 – Basis of presentation

The financial statements at 31/12/2022 are clearly stated and give a true and fair view of the bank's financial position, financial performance and cash flows for the year.

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

- measurements are carried out with the assumption of going concern (please see that indicated in the section "Bank of Italy/CONSOB/ISVAP (the Italian Insurance Companies Supervisory Authority) document no. 2 of 6 February 2009" in the Directors' Report);
- 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 balance sheet 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 balance sheet, 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

After the reporting date of 31 December 2022 and until 28 March 2023, the date on which the financial statements were approved by the Board of Directors, no events occurred that required an adjustment to the results of the data approved.

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 balance sheet, 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 and receivables with 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 continuing effects of Covid-19, the war in progress between Russia and Ukraine, the rapid rise in inflation (driven by energy costs) and the dramatic increase seen in market interest rates.

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 and receivables with 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 and receivables with 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 29 November 2022. The approval of the update to this policy did not lead to any significant impacts for the Bank in the annual financial statements.

Residual risks, uncertainties and impacts from restrictions from the Covid-19 pandemic, the Russia/Ukraine war and the macroeconomic situation

The general and sector macroeconomic framework, still affected by significant uncertainty caused by the external factors cited above, continues to require that banks govern the impacts of this situation on the credit risk and related financial statement measurements. In this regard, in 2022 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 2022, implemented 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 model ("multiscenario") for ECL, in particular with reference to the adverse scenario.

Additionally, taking into due consideration the context of macroeconomic uncertainty due to the continued Russia/Ukraine conflict, high inflation driven by increases in commodities and energy prices, and the rapid increase in market interest rates, the Bank decided to classify receivables due from energy intensive companies in stage 2 at 31 December 2022.

Finally, we provide the accounting treatment of tax credits introduced with decrees 18/2020 "Cure Italy" and 34/2020 "Relaunch".

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.

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 operating income, net".

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 balance sheet in line with the provisions of IAS 1.

Accounting treatment of targeted longer-term refinancing operations - TLTRO-III

As required by the ESMA with public statement on 6 January 2021, information should also be provided about the recognition methods of the third series of targeted longer-term refinancing operations (TLTRO-III) launched by the European Central Bank each quarter, starting September 2019. The interest rate for each operation is fixed at a level equal to the average rate of the main refinancing operations of the Eurosystem (MRO), with the exception of the period between 24 June 2020 and 23 June 2022 (the special interest rate period), when a rate below 50 basis points was applied. Banks that granted net eligible loans higher than a reference value (benchmark net lending) could benefit from a reduced interest rate. Specifically, the more favourable rate applied was equal to the average rate on deposits with the central bank (Deposit Facility), for the entire duration of the respective operation, with the exception of the special interest rate period, to which an additional reduction of 50 basis points was added (and in any case no higher than -1%). Interest rates are regulated in arrears at the maturity of each TLTRO-III operation or at the time of early repayment. Finally, on 27 October 2022 the ECB Governing Council decided to adopt monetary policy measures intended to support a timely return to the ECB’s medium-term inflation goal of 2%. In the context of these measures, the Governing Council established that, as of 23 November 2022 and until the maturity date or early repayment date for each existing operation, the interest rate applied to each existing operation would be indexed to the ECB’s average reference interest rates applicable to the period in question.

The characteristics of the TLTRO-III operations do not allow for them to be immediately associated with specific cases covered by IAS/IFRS; it is possible to draw an analogy with “IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance” or “IFRS 9 – Financial Instruments”. The bank’s decision for the purposes of accounting for the operations in question was to refer to the indications of IFRS 9, considering that the funding conditions to which banks have access through the TLTROs promoted by the ECB are under market conditions. In fact, in our opinion, the ECB rates can be considered “market rates” since it is the ECB itself that establishes their level, balancing said level against the lending objectives to be achieved (monetary policy operations). Furthermore, it is within the power of the ECB to modify the TLTRO-III interest rate at any time. This power of modification held by the ECB is therefore associated with the indications of para. B5 4.5 of IFRS 9 (floating-rate financial liabilities), determining a modification to the Internal Rate of Return (IRR) of the financing in order to reflect variations in the benchmark rate.

With reference to recognition of the interest component, the Bank decided to apply, on a case by case basis, the rate indicated in communications with the Eurosystem (i.e. until 22 November 2022 the interest rate on deposits with the Central Bank as the average figure starting with settlement of the auction and, in particular, a rate of -1% having exceeded the net lending benchmark; from 23 November 2022 on, the interest rate for deposits with the Central Bank as the average figure from that date until the date on which the operation was repaid).

A2 – ACCOUNTING POLICIES

1 - FINANCIAL ASSETS MEASURED 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.

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 trading income (expense)".

2 - FINANCIAL ASSETS MEASURED 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 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 MEASURED 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 and receivables with 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 and receivables with 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 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 and are measured at amortised cost.
IFRS 9 introduced an revision to methods for determining value adjustments for performing exposures utilising risk factors (PD, LGS, EAD and ECL) not only at 12 months (stage 1) but also lifetime (stage 2), when credit risk worsens. Therefore, any change in expected loss, credit risk and forecasts of future conditions may provoke a change in the collective valuation 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, PLANT AND EQUIPMENT

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 IFRS 16 based on the duration of the contract.

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 balance sheet 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 MEASURED AT AMORTISED COST

LIABILITIES AND 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 customers and 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 trading income (expense)".

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 trading income (expense)".

14 - OTHER INFORMATION

14.1 – PROVISIONS FOR RISKS AND CHARGES

a) Recognition and derecognition

b) Classification

c) Measurement

loan commitments and financial guarantees given
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
Other provisions 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 post-employment benefits are recognised under “Personnel expense”.

14.2. Post-employment benefits
a) Recognition
b) Classification
c) Measurement
d) Derecognition
Post-employment benefits are 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 and receivables with 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	10% decrease in equity	10% increase in equity	Carrying amount at 31/12/2022
Bancomat Spa	21,462,682	0.1000%	21,463	19,316	23,609	21,945
CBI S.c.p.a.	6,427,818	0.3284%	21,110	18,999	23,221	3,022
CARICESE srl	18,750,338	0.5000%	93,752	84,377	103,127	20,000
ConfidiCoop Marche	29,371,468	1.5000%	440,572	396,515	484,629	100,000
CSE Consorzio Servizi Bancari SRL	96,728,015	5.0000%	4,836,401	4,352,761	5,320,041	6,250,000
Fermano Leader s.c.a.r.l	47,299	1.5000%	709	639	780	3,000
S.W.I.F.T. - Bruxelles	616,152,000	0.0004%	2,264	2,037	2,490	2,529
TOTAL	**788,939,620**		**5,416,271**	**4,874,644**	**5,957,897**	**6,400,496**

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	12/2022			12/2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	172,390	9,393	-	108,829	7,431	-
a) financial assets held for trading	*172,390*	*6,204*	-	*108,829*	*3,936*	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	*3,189*	-	-	*3,495*	-
2. Financial assets at fair value through other comprehensive income	883,565	15,000	6,400	913,250	10,000	6,562
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,055,955**	**24,393**	**6,400**	**1,022,079**	**17,431**	**6,562**
1. Financial liabilities held for trading	37	424	-	-	80	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**37**	**424**	**-**	**-**	**80**	**-**

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 in the portfolio obligatorily measured at fair value indicated in schedule A.4.5.1 in column L2 refer to units of the Efesto Fund (AIF), acquired after the sale of loans classified as UTP, for which fair value was determined based on the most recently available NAV, discounted to take liquidity risk into account.

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 schedule A.4.5.1 refer to equity instruments in 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 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 Annual 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	-	-	-	-	6,562	-	-	-
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	-	-	-	-	162	-	-	-
3.1. Sales	-	-	-	-	22	-	-	-
3.2. Repayments	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	-	-	-	-	140	-	-	-
3.3.1. Profit or loss	-	-	-	-	-	-	-	-
- including: losses on sales	-	-	-	-	-	-	-	-
3.3.2. Equity					*140*	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	6,400	-	-	-

Point 3.1 “Sales” indicates the sale of the shares of SIA SpA which merged with NEXI SpA. Point 3.3.2 “Losses recognised in: Equity” shows the loss relative to the sale of SIA SpA.

A.4.5.3 Annual 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	12/2022				12/2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	1,484,481	239,054	7,561	1,218,053	1,443,566	279,487	8,187	1,245,766
2. Investment property	524	-	-	524	541	-	-	541
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
TOTAL	**1,485,005**	**239,054**	**7,561**	**1,218,577**	**1,444,107**	**279,487**	**8,187**	**1,246,307**
1. Financial liabilities at amortised cost	2,477,123	-	-	2,466,300	2,649,086	-	-	2,652,832
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
TOTAL	**2,477,123**	**-**	**-**	**2,466,300**	**2,649,086**	**-**	**-**	**2,652,832**

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	12/2022	12/2021
a) Cash	24,997	24,836
b) Current accounts and on-demand deposits with central banks	-	249,051
c) Current accounts and deposits with banks	7,591	82,330
Total	**32,588**	**356,217**

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

2.1 Financial assets held for trading: breakdown by product

Tax base / Amount	12/2022			12/2021		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	165,320	413	-	100,892	454	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*165,320*	*413*	-	*100,892*	*454*	-
2. Equity instruments	4,385	-	-	6,402	-	-
3. OEIC units	2,222	3,234	-	1,301	2,949	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**171,927**	**3,647**	**-**	**108,595**	**3,403**	**-**
B. Derivatives						
1. Financial derivatives:	463	2,557	-	235	533	-
1.1 for trading	*463*	*2,557*	-	*235*	*533*	-
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	**463**	**2,557**	**-**	**235**	**533**	**-**
Total (A + B)	**172,390**	**6,204**	**-**	**108,830**	**3,936**	**-**

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 € 413 thousand.
The amount indicated in column L2 of Item "3. OEIC units" refers to units of funds acquired as part of the management appointment granted to Epsilon Sgr.

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

Tax base / Amount	12/2022	12/2021
A. ASSETS		
1. Debt instruments	**165,733**	**101,346**
a) Central banks	-	-
b) Public administrations	90,720	33,360
c) Banks	37,031	21,951
d) Other financial companies	26,674	31,384
including: insurance companies	-	*1,121*
e) Non-financial companies	11,308	14,651
2. Equity instruments	**4,385**	**6,402**
a) Banks	61	115
b) Other financial companies	612	880
including: insurance companies	*28*	*100*
c) Non-financial companies	3,712	5,407
d) Other issuers	-	-
3. OEIC units	5,456	4,249
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	**175,574**	**111,997**
B. DERIVATIVES		
a) Central counterparties	463	235
b) Other	2,557	533
Total B	**3,020**	**768**
Total (A + B)	**178,594**	**112,765**

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	12/2022			12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**-**	**-**	**-**	**-**	**22**	**-**
1.1Structured instruments	-	-	-	-	-	-
1.2Other debt instruments	-	-	-	-	22	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. OEIC units	**-**	**3,189**	**-**	**-**	**3,472**	**-**
4. Financing	**-**	**-**	**-**	**-**	**-**	**-**
4.1Reverse repurchase agreements	-	-	-	-	-	-
4.2Other	-	-	-	-	-	-
Total	**-**	**3,189**	**-**	**-**	**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. At present the fund has repaid € 982 thousand. To measure the units at 31 December, the Bank applied impairment to the units in the amount of 15% of the latest official NAV (liquidity discount), recognising capital losses of € 34 thousand in profit and loss.

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

Tax base / Amount	12/2022	12/2021
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	**3,189**	**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	**3,189**	**3,494**

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

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

Tax base / Amount	12/2022			12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	882,808	-	-	913,158	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*882,808*	-	-	*913,158*	-	-
2. Equity instruments	758	15,000	6,400	92	10,000	6,562
3. Financing	-	-	-	-	-	-
Total	**883,566**	**15,000**	**6,400**	**913,250**	**10,000**	**6,562**

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 column L2, they refer to the value of Bank of Italy equity shares in which the fair value is determined objectively;
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 measured at fair value through other comprehensive income: breakdown by debtor/issuer

Tax base / Amount	12/2022	12/2021
1. Debt instruments	**882,807**	**913,158**
a) Central banks	-	-
b) Public administrations	881,491	913,158
c) Banks	-	-
d) Other financial companies	-	-
including: insurance companies	-	-
e) Non-financial companies	1,316	-
2. Equity instruments	**22,159**	**16,654**
a) Banks	15,084	10,092
b) Other issuers:	7,075	6,562
- other financial companies	*796*	*122*
including: insurance companies	-	-
- non-financial companies	*6,279*	*6,440*
- 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	**904,966**	**929,812**

3.3 Financial assets measured 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	882,987	-	-	-	-	179	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-
Total (31/12/2022)	**882,987**	-	-	-	-	**179**	-	-	-	-
Total (31/12/2021)	**913,339**	-	-	-	-	**181**	-	-	-	-

Section 4 - Financial assets measured at amortised cost - Caption 40

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

Transaction/Amount	12/2022						12/2021					
	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	**17,658**	**-**	**-**	**-**	**-**	**17,658**	**20,195**	**-**	**-**	**-**	**-**	**20,195**
1. Term deposits	-	-	-				-	-	-			
2. Minimum reserve	17,658	-	-				20,195	-	-			
3. Reverse repurchase agreements	-	-	-				-	-	-			
4. Other	-	-	-				-	-	-			
B.Loans and receivables with banks	**8**	**-**	**-**	**-**	**-**	**8**	**1**	**-**	**-**	**-**	**-**	**1**
1. Financing	8	-	-				1	-	-			
1.1 Current accounts	-	-	-				-	-	-			
1.2. Term deposits	-	-	-				-	-	-			
1.3. Other financing	8	-	-				1	-	-			
- Reverse repurchase agreements	-	-	-				-	-	-			
- Financing for leases	-	-	-				-	-	-			
- Other	*8*	-	-				*1*	-	-			
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total	**17,666**	**-**	**-**	**-**	**-**	**17,666**	**20,196**	**-**	**-**	**-**	**-**	**20,196**

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

Transaction/Amount	12/2022						12/2021					
	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	**1,138,549**	**38,535**	**-**	**-**	**-**	**1,200,388**	**1,087,974**	**46,596**	**-**	**-**	**-**	**1,225,569**
1.1. Current accounts	107,132	10,372	-				88,545	13,819	-			
1.2. Reverse repurchase agreements	-	-	-				-	-	-			
1.3. Loans	875,997	23,083	-				883,177	26,983	-			
1.4. Credit cards, personal loans and salary-backed loans	46,309	497	-				38,315	521	-			
1.5. Financing for leases	-	-	-				-	-	-			
1.6. Factoring	-	-	-				-	-	-			
1.7. Other financing	109,111	4,583	-				77,937	5,273	-			
Debt instruments	**289,732**	**-**	**-**	**239,054**	**7,561**	**-**	**288,798**	**-**	**-**	**279,487**	**8,187**	**-**
1.1. Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other debt instruments	289,732	-	-	239,054	7,561	-	288,798	-	-	279,487	8,187	-
Total	**1,428,281**	**38,535**	**-**	**239,054**	**7,561**	**1,200,388**	**1,376,772**	**46,596**	**-**	**279,487**	**8,187**	**1,225,569**

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

- import/export advances of € 11,736 thousand;
- advances on bills under reserve and invoices of € 84,255 thousand;
- portfolio risks of € 464 thousand;
- subsidies with or without repayment plans of € 12,818 thousand;
- loans and receivables with garnishee administration for salary-backed loans for € 174 thousand;
- advances in favour of treasury entities managed for € 97 thousand.

Point "1.2 Other debt securities" includes the coupon instalment accrued at the end of the year, equal to € 805 thousand.

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

Transaction/Amount	12/2022			12/2021		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt instruments	**289,731**	**-**	**-**	**288,798**	**-**	**-**
a)Public administrations	277,250	-	-	275,639	-	-
b)Other financial companies	12,481	-	-	13,159	-	-
including: insurance companies	-	-	-	-	-	-
c)Non-financial companies	-	-	-	-	-	-
2. Financing with:	**1,138,549**	**38,535**	**-**	**1,087,974**	**46,597**	**-**
a)Public administrations	89,256	47	-	55,437	34	-
b)Other financial companies	27,358	42	-	21,384	50	-
including: insurance companies	-	-	-	-	-	-
c)Non-financial companies	635,124	26,098	-	626,775	31,647	-
d)Households	386,811	12,348	-	384,378	14,866	-
Total	**1,428,280**	**38,535**	**-**	**1,376,772**	**46,597**	**-**

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 € 246,615 thousand.

4.4 Financial assets measured at amortised cost: 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	289,896	-	-	-	-	164	-	-	-	-
Financing	960,896	-	209,153	101,574	-	5,106	8,728	63,038	-	4,855
Total (31/12/2022)	**1,250,792**	**-**	**209,153**	**101,574**	**-**	**5,270**	**8,728**	**63,038**	**-**	**4,855**
Total (31/12/2021)	**1,209,987**	**-**	**198,834**	**111,293**	**-**	**6,045**	**5,807**	**64,696**	**-**	**5,867**

The caption financing of the stage 1 column includes loans and receivables with banks of € 17.6 million.

The figures for coverage of performing loans to customers can be found in the following table:

Stage	financing with customers	Impairment losses	% hedged
Stage 1	943,191	5,106	0.54%
Stage 2	209,192	8,728	4.17%
Total	**1,152,383**	**13,834**	**1.20%**

4.4a Financing measured 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	-	-	-	-	-	-	-	-	-	-
3. Financing subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New financing	179,421	-	20,737	1,721	-	1,165	976	569	-	-
Total (31/12/2022)	**179,421**	**-**	**20,737**	**1,721**	**-**	**1,165**	**976**	**569**	**-**	**-**
Total (31/12/2021)	**267,795**	**-**	**23,413**	**1,362**	**-**	**2,088**	**892**	**246**	**-**	**-**

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, plant and equipment - Caption 80

8.1 Property and equipment used for operations: breakdown of assets measured at cost

Asset / Amount	Total 12/2022	Total 12/2021
1 Owned	**11,275**	**12,134**
a) land	4,223	4,223
b) buildings	5,529	6,280
c) furniture	824	824
d) electronic systems	285	320
e) other	414	487
2 Rights of use acquired with leases	**5,833**	**6,723**
a) land	-	-
b) buildings	5,069	5,796
c) furniture	-	-
d) electronic systems	683	863
e) other	81	64
Total	**17,108**	**18,857**
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 € 5,069 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 € 683 thousand, while item "e) other" includes the rights of use for car hire for € 81 thousand.

8.2 Investment property: breakdown of assets measured at cost

Asset / Amount	Total 12/2022				Total 12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1 Owned	**524**	-	-	**524**	**541**	-	-	**541**
a) land	-	-	-	-	-	-	-	-
b) buildings	524	-	-	524	541	-	-	541
2 Rights of use acquired with leases	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**524**	-	-	**524**	**541**	-	-	**541**
including: obtained through enforcement of guarantees received	524	-	-	524	541	-	-	541

8.6 Property and equipment used for operations: changes

Tax base / Amount	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**4,223**	**34,597**	**6,788**	**7,030**	**7,331**	**59,969**
A.1 Accumulated depreciation and net impairment losses	-	28,317	5,964	6,710	6,844	47,835
A.2 Net opening balance	4,223	6,280	824	320	487	12,134
B.Increases:	**-**	**-**	**155**	**112**	**87**	**354**
B.1 Purchases	-	-	155	112	87	354
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:	**-**	**751**	**155**	**147**	**160**	**1,213**
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation and depreciation	-	751	155	147	129	1,182
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	-	-	-	-	31	31
D. Net closing balance	**4,223**	**5,529**	**824**	**285**	**414**	**11,275**
D.1 Accumulated depreciation and net impairment losses	-	29,068	6,119	6,857	7,004	49,017
D.2 Gross closing balance	**4,223**	**34,597**	**6,943**	**7,142**	**7,418**	**60,292**
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, plant and equipment used for operations - Rights of use acquired with leases: changes

Tax base / Amount	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**8,811**	**-**	**1,720**	**242**	**10,773**
A.1 Accumulated depreciation and net impairment losses	-	3,015	-	857	178	4,050
A.2 Net opening balance	-	5,796	-	863	64	6,723
B.Increases:	**-**	**546**	**-**	**75**	**65**	**686**
B.1 Purchases	-	-	-	-	-	-
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	-	546	-	75	65	686
C.Decreases:	**-**	**1,273**	**-**	**255**	**48**	**1,576**
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation and depreciation	-	891	-	255	42	1,188
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	-	382	-	-	6	388
D. Net closing balance	**-**	**5,069**	**-**	**683**	**81**	**5,833**
D.1 Accumulated depreciation and net impairment losses	-	3,906	-	1,112	220	5,238
D.2 Gross closing balance	**-**	**8,975**	**-**	**1,795**	**301**	**11,071**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

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

Point B7 - "Other changes" shows the new tangible goods rental contracts signed during financial year 2022 and the additions to existing contracts.

Point C.7 "Other changes" contains the changes due to fee revision of existing lease contracts and early repayments.

8.7 Investment property: changes

Tax base / Amount	Total 12/2022	
	Land	Buildings
A. Opening balance	**-**	**541**
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	**-**	**17**
C.1 Sales	-	-
C.2 Amortisation and depreciation	-	17
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	**-**	**524**
E. Fair value	**-**	**524**

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 12/2022		Total 12/2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**-**		**-**
A.2 Other intangible assets	**150**	**-**	**131**	**-**
including: software	*150*	-	*131*	-
A.2.1 At cost	150	-	131	-
a) Internally-generated	-	-	-	-
b) Other assets	*150*	-	*131*	-
A.2.2 At fair value:	-	-	-	-
a) Internally-generated	-	-	-	-
b) Other assets	-	-	-	-
Total	**150**	**-**	**131**	**-**

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	**-**	**-**	**-**	**902**	**-**	**902**
A.1 Accumulated depreciation and net impairment losses	-	-	-	771	-	771
A.2 Net opening balance	**-**	**-**	**-**	**131**	**-**	**131**
B. Increases	**-**	**-**	**-**	**96**	**-**	**96**
B.1 Purchases	-	-	-	96	-	96
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	**-**	**-**	**-**	**77**	**-**	**77**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	77	-	77
- Amortisation and depreciation		-	-	*77*	-	*77*
- 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	**-**	**-**	**-**	**150**	**-**	**150**
D.1 Accumulated amortisation and net impairment losses	-	-	-	848	-	848
E. Gross closing balance	**-**	**-**	**-**	**998**	**-**	**998**
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	12/2022
Personnel expense	755
Administrative expenses	1,201
Fair value losses on HTCS securities	17,997
Impairment losses on loans and receivables	9,565
Actuarial losses on agents' termination benefits/post-employment benefits	639
Total	**30,157**

"Impairment losses on loans and receivables" includes the deferred tax assets calculated during transition to IFRS9 on the impairment losses for € 3,094 thousand.

10.2 Deferred tax liabilities: breakdown

Components	12/2022
Fair value gains on bonds	-
Fair value gains on HTCS securities	358
Deferred gains	-
FTA depreciation of land	672
Post-employment benefits	235
Actuarial gains on post-employment benefits	-
Total	**1,265**

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 12/2022	Total at 12/2021
1. Opening balance	**12,674**	**9,992**
2. Increases	**920**	**5,078**
2.1 Deferred tax assets recognised in the year	920	436
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	*920*	*436*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	4,642
3. Decreases	**2,072**	**2,396**
3.1 Deferred tax assets derecognised in the year	2,072	2,396
a) reversals	*2,072*	*2,396*
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	**11,522**	**12,674**

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

Tax base / Amount	Total at 12/2022	Total at 12/2021
1. Opening balance	**7,452**	**8,872**
2. Increases	**-**	**-**
3. Decreases	**981**	**1,420**
3.1 Reversals	*981*	*1,420*
3.2 Conversions into tax assets	-	-
a) arising on losses	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**6,471**	**7,452**

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 12/2022	Total at 12/2021
1. Opening balance	**672**	**672**
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	**-**	**-**
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	-	-
4. Closing balance	**672**	**672**

10.5 Changes in deferred tax assets (recognised in equity)

Tax base / Amount	Total at 12/2022	Total at 12/2021
1. Opening balance	**1,742**	**5,710**
2. Increases	**17,497**	**681**
2.1 Deferred tax assets recognised in the year	17,497	681
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*17,497*	*681*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**604**	**4,649**
3.1 Deferred tax assets derecognised in the year	604	7
a) reversals	*604*	*7*
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	**18,635**	**1,742**

10.6 Changes in deferred tax liabilities (recognised in equity)

Tax base / Amount	Total at 12/2022	Total at 12/2021
1. Opening balance	**2,571**	**2,032**
2. Increases	**204**	**1,161**
2.1 Deferred tax liabilities recognised in the year	204	1,161
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*204*	*1,161*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,182**	**622**
3.1 Deferred tax liabilities derecognised in the year	2,182	622
a) reversals	*2,182*	*622*
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**593**	**2,571**

10.7 Other information

Caption “100a” of “Tax assets: a) current” of € 3,236 thousand comprises:

- tax relief for earthquakes of € 2,079 thousand;
- tax assets of € 4 thousand for withholdings on public bodies;
- substitute tax on account of € 814 thousand on the capital gain;
- IRES tax relief of €265 thousand;
- IRAP tax relief of €35 thousand;
- IRES additional tax credit for € 39 thousand.

Section 12 - Other assets - Caption 120

12.1 Other assets: breakdown

Components	Total at 12/2022	Total at 12/2021
a) other tax assets	18,782	4,053
b) cheques drawn on other banks	103	361
c) cheques to be received from clearing house and truncated in branch	-	12,095
e) revenue stamps and other stamps	3	4
g) shortfalls, embezzlement, theft and other prior	-	4
h) items in transit	14,646	8,676
i) leasehold improvements	408	152
j) accrued income	4,727	1,392
k) prepayments	275	324
l) portfolio adjustment differences	-	-
m) other	5,920	7,435
Total	**44,864**	**34,496**

Specifically, in the above table:

- point a) includes construction tax credits acquired from customers with reference to law 34/2020 and restated in item “120 Other assets”, equal to € 14,528 thousand. In August 2022, credits of this kind were transferred to Intesa SanPaolo for € 6,056 thousand;
- item h) includes transactions under settlement by BFF S.P.A. and Bank of Italy (€ 5,923 thousand) and items in transit to be debited to the end accounts (€ 8,723 thousand);
- item k) mostly consists of prepaid insurance premiums;
- item m) includes sundry amounts of €74 thousand, accrued commissions of €5,080 thousand.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Caption 10

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

Transaction/Amount	Total at 12/2022				Total at 12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**460,000**				**490,000**			
2. Due to banks	**1,797**				**483**			
2.1 Current accounts and on-demand deposits	1,797				407			
2.2 Term deposits	-				76			
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	**461,797**	**-**	**-**	**461,797**	**490,483**	**-**	**-**	**490,483**

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 € 270 million maturity 31 December 2024.
The difference with respect to the previous year is due to the early repayment of € 30 million made on a voluntary basis in December 2022.

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

Transaction/Amount	Total at 12/2022				Total at 12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on-demand deposits	**1,873,393**				**2,030,610**			
2. Term deposits	**6,620**				**7,042**			
3. Financing	-				-			
3.1 Repurchase agreements	-				-			
3.2 Other	-				-			
4. Commitments to repurchase own equity instruments	-				-			
5. Lease liabilities	5,727				6,620			
6. Other liabilities	91,998				56,397			
Total	**1,977,738**	**-**	**-**	**1,967,902**	**2,100,669**	**-**	**-**	**2,103,846**

1.2.1 Lease liabilities: performance

Transaction/Amount	Lease liabilities at 12/2021	Interest expense	Fees paid for leasing	Other changes	Carrying amount at 12/2022
Total financial liabilities for leasing	6,620	-	1,188	295	5,727

The column “Other changes” includes early repayments with reference to IFRS 16 contracts for € 391 thousand and new contracts and ISTAT adjustments to existing ones for € 686 thousand.

1.2.2 Lease liabilities: time bracket

Transaction/Amount	Present value at 12/2022	Present value at 12/2021
Up to 3 months	-	-
After 3 months and up to 1 year	32	-
After 1 year and up to 5 years	1,205	899
After 5 years	4,490	5,721
Total	**5,727**	**6,620**

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

Security /Amount	Total at 12/2022				Total at 12/2021			
	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	37,587	-	-	36,600	57,934	-	-	58,503
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*37,587*	-	-	*36,600*	*57,934*	-	-	*58,503*
Total	**37,587**	**-**	**-**	**36,600**	**57,934**	**-**	**-**	**58,503**

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 12/2022					Total at 12/2021				
	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		37	424	-			-	80	-	
1.1 For trading		*37*	*424*	-			-	*80*	-	
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		**37**	**424**	**-**			**-**	**80**	**-**	
Total (A+B)		**37**	**424**	**-**			**-**	**80**	**-**	

Section 6 - Tax liabilities - Caption 60

6.1 Current tax liabilities

Tax base / Amount	12/2022
Current tax liabilities	**6,649**
IRES	9,510
IRAP	2,171
Stamp duty	-
Additional payments on account	-759
IRES payments on account	-5,124
IRAP payments on account	-1,447
Prior year tax assets	2,298

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	12/2022	12/2021
a) Tax liabilities	4,630	5,123
b) Amounts due to social security institutions	22	23
c) Amounts available to customers	2,496	3,067
d) Third party guarantee deposits	354	132
f) Other amounts due to employees	2,943	2,881
g) Items in transit	21,851	9,866
h) Accrued expenses	1,009	5
i) Deferred income	285	292
j) Portfolio adjustment differences	1,700	35,567
k) Other items	1,829	2,529
Total	**37,119**	**59,485**

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 to be received for € 1,401 thousand, sundry positions for € 418 thousand and other payable items for 10 thousand.

Section 9 – Employee termination indemnities – Caption 90

9.1 Employee termination indemnities: changes

Tax base / Amount	Total at 12/2022	Total at 12/2021
A. Opening balance	**5,910**	**6,495**
B. Increases	**24**	**175**
B.1 Accruals	24	1
B.2 Other changes	-	174
C. Decreases	**739**	**760**
C.1 Payments	484	760
C.2 Other changes	255	-
D. Closing balance	**5,195**	**5,910**
Total	**5,195**	**5,910**

The actuarial gain of € 255 thousand determined by the actuary are recognised in point "C.2 Other changes". Point B.1 shows the annual interest cost, as calculated by the actuary.

9.2 Other information:

9.2 Other information:

Breakdown of "B. Increases"

Description	Amounts
Interest cost	24
including: Revaluation	*24*
Actuarial loss	-
Total	**24**

Breakdown of "C. Decreases"

Description	Amounts
Decrease due to post-employment benefits reform Legislative decree no.	255
Post-employment advances and payments	399
Substitute tax on revaluation	85
Total	**739**

Actuarial valuation of employee termination indemnities

Description	Amounts
Present value of benefits at 31/12/2021	5.910
Interest cost	24
Substitute tax	- 85
Service cost	-
Payments	- 399
Total recursive	**5.450**
Present value of benefits at 31/12/2022	5.195
Accumulated actuarial profit	***255***

Since 1 January 2007, post-employment benefits 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 31/12/2022. 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. Relative to the inflation rate, an essential value when determining trends for remeasuring performance in years after the initial valuation, the macroeconomic projections for Italy from 2022-2025 were used, prepared by Bank of Italy experts in the context of the coordinated Eurosystem exercise. The legal revaluation of the post-employment benefits 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 post-employment benefits 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 31/12/2022 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	3.2530%	11	3.7474%
2	3.5460%	12	3.7648%
3	3.5890%	13	3.7822%
4	3.6600%	14	3.7996%
5	3.7050%	15	3.8170%
6	3.7160%	16	3.7992%
7	3.7130%	17	3.7814%
8	3.7090%	18	3.7636%
9	3.7140%	19	3.7458%
10	3.7300%	20	3.7280%

On the basis of the above assumptions, the bank recognised the actuarial gain of € 255 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 12/2022	Total at 12/2021
1. Provisions for credit risk associated with loan commitments and financial guarantees given	199	111
2. Provisions for other commitments and other guarantees given	-	-
3. Internal pension funds	5,094	7,017
4. Other provisions	4,369	3,027
4.1 legal and tax disputes	-	-
4.2 personnel expense	-	-
4.3 other	*4,369*	*3,027*
Total	**9,662**	**10,155**

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	**111**	**7,017**	**3,027**	**10,155**
B. Increases	**88**	**62**	**2,659**	**2,809**
B.1 Accruals	88	62	2,659	2,809
B.2 Discounting	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	**-**	**1,985**	**1,317**	**3,302**
C.1 Utilisations	-	480	1,317	1,797
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other changes	-	1,505	-	1,505
D. Closing balance	**199**	**5,094**	**4,369**	**9,662**

Other provisions of € 4,369 thousand, shown in table 10.2, may be analysed as follows by type of litigation:

- Civil litigation	1,565,100
- Claw-back claims	304,930
- Other charges	397,886
- Labour disputes	627,000
- Other disputes	1,474,000
Total	**4,368,916**

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 31/12/2022;
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 2022 financial statements, the situation is as follows:

Type of risk	Contingent liability		Bonds	
	Petitum	*Accrual*	*Petitum*	*Accrual*
Legal disputes	1,194,216	0	46,116,978	1,565,100
Claw-back claims	0	0	2,385,157	304,930
Labour disputes	0	0	627,000	627,000
Other charges	0	0	3,544,839	1,871,886
Total	**1,194,216**	**0**	**52,673,974**	**4,368,916**

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 € 1,194 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 € 46,117 thousand, note that 14 claims refer to compound interest, for which the accrued amount is € 317 thousand. Five positions involve disputes with reference to bank cheque payments, while one significant position has received a first level judgement in the Bank's favour.

10.3. Provisions for credit risk associated with loan commitments and financial guarantees given

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	41	5	-	-	46
Financial guarantees given	51	24	78	-	153
Total	**92**	**29**	**78**	**-**	**199**

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 balance sheet, 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 2000 or their surviving family members. The bank pays in a contribution in order to ensure its actuarial balance.

At 31/12/2022, the fund had 101 beneficiaries, including those with zero annuities as shown in the following table:

Gender	Direct	Indirect or reversible	Total
Women	6	51	**57**
Men	43	1	**44**
Total	**49**	**52**	**101**

The actuarial calculations were based on a projection of the individual beneficiaries' positions at 31 December 2022. 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 2022.

The average present value appraised by the relevant expert of the cost of integrating and substituting the pension plan for the 101 beneficiaries is in line with the amount recognised in the financial statements.

Technical accounts at 31/12/2022	
Average present value - immediate	5,094
Average present value - total charges	5,094
Mathematical reserve at 31/12/2021	7,017
Equity at 31/12/2022	6,626
Mathematical provision	5,094
TECHNICAL DEFICIT	**1,532**
Calculation of actuarial gains/losses for IFRS purposes	
Mathematical provision at 31 December 2021	7,017
Interest cost	62
Service cost	0
Payments	478
Accumulated net actuarial gain at 31/12/2022	**-1,505**

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 € 62 thousand and the actuarial gain to € 1,505 thousand, recognised in other comprehensive income.

Section 12 – Shareholders' 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	**20,066**	**64,460**	**- 7,135**
INCREASES	**1,502**	**7,443**	**-**
Allocation of profits	1,502	7,443	-
DECREASES	**-**	**-**	**-**
Other changes (FTA reserve)	-	-	-
CLOSING BALANCE	**21,568**	**71,903**	**- 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 € 13,720 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 Shareholders' Equity: breakdown, availability and distributability of the different captions

Nature/description	Amount	Possible use (1)	Available portion	Summary of use in the last 3 years (2)	
				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	21,568,323.72	B	13,720,106.22		
Statutory reserve	71,902,912.43	B	-		
Other reserves:					
FTA reserve (IAS/IFRS adoption)	- 13,265,284.23		-		
Fair value reserve (HTCS securities)	- 35,857,166.06		-		
Actuarial reserve	- 1,683,702.89		-		
Retained earnings	-		-		
Total	**137,817,833.42**		**69,631,769.17**	**-**	**-**
Undistributable portion (4)			557,083.90		
Remaining distributable portion			69,074,685.27		

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			**24,565,159**
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			**24,565,159.00**
10% to the legal reserve			**2,456,516.00**
15% to the statutory reserve			**3,684,774.00**
- **Shareholder remuneration:** dividend per share	**3.000**		
- Shares held by Banca Intesa S.p.A.	*253,250.00*	*759,750.00*	
- Shares: held by Fondazione Cassa di Risparmio di Fermo	*506,500.00*	*1,519,500.00*	
Dividends to be distributed			**2,279,250.00**
Remainder to the statutory reserve			**16,144,619.00**
Summary of allocation			
To the legal reserve		2,456,516.00	
To the statutory reserve		19,829,393.00	
Total increase in equity			**22,285,909.00**
Dividends			**2,279,250.00**
TOTAL DISTRIBUTABLE PROFIT			**24,565,159.00**

The profit for the year to be allocated amounts to € 24,565,159

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 € 3,
- 10% to the legal reserve, i.e., € 2,456,516;
- € 3,684,774 to the statutory reserve;
- the remaining € 16,144,619 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 € 21,568,324 at 31 December 2022, will amount to € 24,024,840 exceeding one fifth of the share capital as per article 2430 of the Italian Civil Code by € 16,176,623.

OTHER INFORMATION

1. Loan commitments and financial guarantees given other than those at fair value

Transactions	Nominal amount on commitments and financial guarantees given				Amount at 12/2022	Amount at 12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
Loan commitments	**530,638**	**33,265**	**3,982**	**-**	**567,885**	**583,844**
a) Central banks	-	-	-	-	-	-
b) Public administrations	77,488	-	-	-	77,488	54,145
c) Banks	8,622	-	-	-	8,622	-
d) Other financial companies	6,363	149	-	-	6,512	6,285
e) Non-financial companies	390,766	20,700	3,923	-	415,389	462,032
f) Households	47,399	12,416	59	-	59,874	61,382
Financial guarantees given	**17,775**	**6,358**	**383**	**-**	**24,516**	**25,682**
a) Central banks	-	-	-	-	-	-
b) Public administrations	34	-	-	-	34	33
c) Banks	5,237	-	-	-	5,237	4,860
d) Other financial companies	1,615	3,115	-	-	4,730	4,715
e) Non-financial companies	9,548	2,310	383	-	12,241	13,501
f) Households	1,341	933	-	-	2,274	2,573

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 12/2022	Amount at 12/2021
1. Financial assets at fair value through profit or loss	570	570
2. Financial assets at fair value through other comprehensive income	372,811	387,681
3. Financial assets at amortised cost	204,189	140,541
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 € 576,000 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	**2,702,812**
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	643,349
1. securities issued by the reporting entity	*26,161*
2. other securities	*617,188*
c) party securities deposited with third parties	627,336
d) securities owned by the bank deposited with third parties	1,432,127
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 12/2022	Total at 12/2021
1. Financial assets at fair value through profit or loss:	1,676	-	-	1,676	1,636
1.1 Financial assets held for trading	1,676	-	-	1,676	1,636
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	25,519	-		25,519	4,640
3. Financial assets at amortised cost	8,677	28,842		37,519	28,152
3.1 Loans and receivables with banks	-	253		253	52
3.2 Loans and receivables with customers	8,677	28,589		37,266	28,100
4. Hedging derivatives			-	-	-
5. Other assets			-	-	-
6. Financial liabilities				3,415	1,212
Total	**35,872**	**28,842**	**-**	**68,129**	**35,640**
- including: interest income on credit-impaired exposures	-	1,943	-	1,943	2,677
- 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 (€ 1,458 thousand);
2. Past due/overdrawn by more than 90 days (€ 15 thousand).

b) The interest income accrued on NPL due to the passage of time, included in item 3.2 "Loans" of the table above, comes to € 1,943 thousand.
c) Interest accrued on ECB TLTRO III financing totalled € 3,415 thousand and is included under point "6. Financial liabilities" in the "Total" column for the year in the table above.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

Tax base / Amount	Total at 12/2022	Total at 12/2021
1.2.1 Interest income on foreign currency financial assets	416	422

1.3 Interest and similar expense: breakdown

Tax base / Products	Financial liabilities	Securities	Other	Total at 12/2022	Total at 12/2021
1. Financial liabilities at amortised cost	- 3,737	- 398	-	- 4,135	- 2,292
1.1 Due to central banks	*- 1,171*		-	*- 1,171*	-
1.2 Due to banks	*- 30*		-	*- 30*	*- 55*
1.3 Due to customers	*- 2,536*		-	*- 2,536*	*- 1,676*
1.4 Securities issued		*- 398*	-	*- 398*	*- 561*
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
Total	**- 3,737**	**- 398**	**-**	**- 4,135**	**- 2,415**
including: interest expense related to lease liabilities	-			-	-

Point 1.1. of the previous table includes the instalment payable for interest accrued on TLTRO III financing, starting in November 2022, equal to € 1,004 thousand.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Tax base / Amount	Total at 12/2022	Total at 12/2021
1.4.1 Interest expense on foreign currency liabilities	- 49	- 7

Section 2 – Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

Service / Amount	Total at 12/2022	Total at 12/2021
a) Financial instruments	**5,166**	**5,515**
1. Securities placement	4,659	4,942
1.1 With underwriting commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	*4,659*	*4,942*
2. Order collection and transmission and execution of customer orders	507	573
2.1 Order collection and transmission for one or more financial instruments	*405*	*451*
2.2 Execution of customer orders	*102*	122
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	**73**	**80**
1. Depository bank	-	-
2. Other fees and commissions linked to custody and administration	73	80
f) Central administrative services for collective asset management	**-**	**-**
g) Fiduciary activities	**-**	**-**
h) Payment services	**15,055**	**14,327**
1. Current accounts	10,482	10,023
2. Credit cards	-	-
3. Debit cards and other payment cards	565	346
4. Transfers and other payment orders	1,279	1,188
5. Other fees and commissions linked to payment services	2,729	2,770
i) Distribution of third party services	**5,651**	**5,264**
1. Collective asset management	150	156
2. Insurance products	2,840	2,877
3. Other products	2,661	2,231
including: individual asset management	*260*	*179*
j) Structured finance	**-**	**-**
k) Servicing activities for securitisations	**-**	**-**
l) Loan commitments	**-**	**-**
m) Financial guarantees given	**270**	**252**
including: credit derivatives	-	-
n) Financing operations	**1,342**	**1,387**
including: for factoring transactions	-	-
o) Foreign currency transactions	**86**	**68**
p) Commodities	**-**	**-**
q) Other fee and commission income	**403**	**187**
including: for management of multilateral exchange systems	-	-
including: for management of organised trading systems	-	-
Total	28,046	27,080

The balance shown as letter "q) Other fee and commission income" in the above table includes:[4]

- Fees and commissions for certification requests € 61 thousand
- Fees and commissions for recovery of cash retail costs € 158 thousand

[4] Amount (€'000)

2.2 Fee and commission income: product and service distribution channels

Channel / Amount	Total at 12/2022	Total at 12/2021
a) own branches:	**10,310**	**10,206**
1. asset management	-	-
2. securities placement	4,659	4,942
3. third party services and products	5,651	5,264
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 12/2022	Total at 12/2021
a) Financial instruments	**- 739**	**- 453**
including: trading in financial instruments	- 124	- 170
including: placement of financial instruments	-	-
including: individual asset management	- 615	- 283
- Own portfolio	-	-
- Third party portfolios	*- 615*	*- 283*
b) Compensation and regulation	**-**	**-**
c) Custody and administration	**- 61**	**- 59**
d) Collection and payment services	**- 1,658**	**- 1,410**
including: credit cards, debit cards and other payment cards	- 160	- 154
e) Servicing activities for securitisations	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**- 129**	**-**
including: credit derivatives	-	-
h) Off-premises distribution of securities, products and services	**-**	**-**
i) Foreign currency transactions	**-**	**-**
j) Other fee and commission expense	**- 68**	**- 64**
Total	**- 2,655**	**- 1,986**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Tax base / Income	Total at 12/2022		Total at 12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	77	-	41	-
B. Other financial assets mandatorily measured at fair value	-	16	-	35
C. Financial assets at fair value through other comprehensive income	1,136	-	862	-
D. Equity investments	-	-	-	-
Total	**1,213**	**16**	**903**	**35**

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	**499**	**1,249**	**- 7,315**	**- 2,813**	**- 8,380**
1.1 Debt instruments	42	337	- 6,323	- 1,083	- 7,027
1.2 Equity instruments	457	900	- 497	- 1,587	- 727
1.3 OEIC units	-	12	- 495	- 143	- 626
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					**- 310**
4. Derivatives	**1,612**	**19,325**	**- 63**	**- 21,566**	**- 692**
4.1 Financial derivatives:	1,612	19,325	- 63	- 21,566	- 692
- On debt securities and interest rates	1,612	19,325	- 63	- 21,566	- 692
- 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	2,111	20,574	- 7,378	- 24,379	- 9,382

EXPENSES AND LOSSES:			REVENUE AND PROFITS:		
Tax base	2022	2021	Tax base	2022	2021
A) Opening balance in foreign currency	1,293	962	E) Revenue from currency	211,727	151,263
B) Cost of purchasing currency	211,822	151,801	F) Closing balance	741	1,293
D) Total costs	**213,115**	**152,763**	**H) Total revenue**	**212,468**	**152,556**

SUMMARY:	2022	2021
(+) Total revenue	*212,468*	*152,556*
(-) Total costs	*- 213,115*	*- 152,763*
(+) Currency fees	*57*	*52*
(-) Losses (+) gains on currencies	*128*	*42*
(-) Impairment losses (+) gains on Securities	*152*	*701*
(-) Impairment losses (+) gains on Currencies	*-*	*-*
Profit from currency valuation	*- 310*	*588*

Section 6 - Gain (losses) on disposal or repurchase - Caption 100

6.1 Gain (losses) on disposal or repurchase: breakdown

Tax base / Income statement item	Total at 12/2022			Total at 12/2021		
	Gains	Losses	Net gain	Gains	Losses	Net gain
Financial assets						
1. Financial assets at amortised cost	411	-	411	6,767	- 4,969	1,798
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	*411*	-	*411*	*6,767*	*- 4,969*	*1,798*
2. Financial assets at fair value through other comprehensive income	8,759	- 2,953	5,806	10,843	- 217	10,626
2.1 Debt instruments	*8,759*	*- 2,953*	*5,806*	*10,843*	*- 217*	*10,626*
2.2 Financing	-	-	-	-	-	-
Total assets	**9,170**	**- 2,953**	**6,217**	**17,610**	**- 5,186**	**12,424**
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Item "1.2 Loans and receivables with customers", column 3, includes the profit made from the sale of securities included in the HTC portfolio, for € 411 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 2022, led the bank to sell securities from the HTC portfolio for a total nominal amount of € 28 million, making gains on sales of € 411 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.

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

7.2 Net gains (losses) on other financial assets and liabilities measured 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	**-**	**-**	**56**	**-**	**- 56**
1.1 Debt instruments	-	-	22	-	- 22
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	34	-	- 34
1.4 Financing	-	-	-	-	-
2. Foreign currency financial assets: Exchange gains (losses)					**-**
Total	**-**	**-**	**56**	**-**	**- 56**

The amount shown in the table above refers to the impairment of the units of the Efesto Fund (AIF) acquired following the sale of 2 UTP exposures and the valuation of mezzanine securities received following the Buonconsiglio 4 securitisation operation.

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 12/2022	Total at 12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans and receivables with banks	**-**	**-**	**-**	**-**	**-**	**-**	**87**	**-**	**-**	**-**	**87**	**- 85**
- Financing	-	-	-	-	-	-	87	-	-	-	87	- 85
- Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	**- 2,798**	**-**	**- 283**	**- 8,579**	**-**	**-**	**28**	**603**	**7,134**	**-**	**- 3,895**	**- 5,483**
- Financing	- 2,708	-	- 283	- 8,579	-	-	-	603	7,134	-	- 3,833	- 5,405
- Debt instruments	- 90	-	-	-	-	-	28	-	-	-	- 62	- 78
C. Total	**- 2,798**	**-**	**- 283**	**- 8,579**	**-**	**-**	**115**	**603**	**7,134**	**-**	**- 3,808**	**- 5,568**

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 12/2022	Total at 12/2021
	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	-	-	-	-	-	-	-	-
2. Financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	64
3. Financing subject to other forbearance measures	-	-	-	-	-	-	-	62
4. New financing	- 418	603	-	432	-	-	617	984
Total	**- 418**	**603**	**-**	**432**	**-**	**-**	**617**	**1,110**

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 12/2022	Total at 12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt instruments	**- 154**	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**-**	**- 116**	**- 154**
B. Financing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- With customers	-	-	-	-	-	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**- 154**	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**-**	**- 116**	**- 154**

Section 9 – Gains (Losses) from contractual modifications without derecognition - Caption 140

9.1 Gains (Losses) from contractual modifications without derecognition: breakdown

Tax base / Amount	Total at 12/2022	Total at 12/2021
9.1 Modification gains/losses: breakdown	32	- 224

Section 10 - Administrative expenses – Caption 160

10.1 Personnel expense: breakdown

Expense / Amount	Total at 12/2022	Total at 12/2021
1) Employees	**- 24,741**	**- 25,133**
a) wages and salaries	- 17,340	- 17,779
b) social security contributions	- 4,586	- 4,729
c) post-employment benefits	- 24	- 1,015
d) pension costs	-	-
e) accrual for post-employment benefits	- 994	- 1
f) accrual for pension and similar provisions:	- 62	- 32
- defined contribution	-	-
- defined benefit plans	*- 62*	*- 32*
g) payments to external supplementary pension funds	- 571	- 593
- defined contribution	*- 571*	*- 593*
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	- 1,164	- 984
2) Other personnel	**-**	**-**
3) Directors and statutory auditors	**- 580**	**- 540**
4) Retired personnel	**-**	**-**
5) Cost recoveries for personnel seconded to other companies	**-**	**-**
6) Cost reimbursements for personnel seconded to the bank	**-**	**-**
Total	**- 25,321**	**- 25,673**

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	-	law no. 92/2012 women unemployed over 24 months
2	INPS	87,528.81	law no. 205/2017 recruitment of young people
3	INPS	6,500.00	law no. 87/2018 - 160/2019 dignity decree
4	INPS	7,878.62	Decree law no. 151/2015 art. 10 disabled people
5	INPS	-	NASpI recipients law no. 92/2012 art. 2 subsection 15 decree law no. 76/2013
6	INPS	-	Southern Bonus
	Total economic benefits received	**101,907.43**	

10.1.1 Wages and salaries: bonuses

Expense / Amount	Total at 12/2022	Total at 12/2021
a) wages and salaries	- 17,340	- 17,779
- including: bonuses	*- 1,159*	*- 1,177*

10.2 Average number of employees per category

Breakdown	2022 peak value	2022 average	2021 peak value
• Employees	**347**	**335**	**353**
a) managers	2	2	2
b) junior managers	93	93	93
- including: 3rd and 4th level	*47*	*48*	*49*
c) other employees (including cleaning staff)	252	240	258
- including: 3rd professional group	*251*	*239*	*257*
- including: 2nd professional group	*1*	*1*	*1*
• 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	12/2022	12/2021
Remuneration on supplementary pension fund - interest cost	62	32

10.4 Other employee benefits

Expense/Amount	12/2022	12/2021
Other employee benefits	- 1,164	- 984

This caption mainly comprises training costs of € 122 thousand, life, accident and health insurance policies of € 338 thousand, lunch vouchers of € 631 thousand and other employee benefit payments of € 67 thousand.

10.5 Other administrative expenses: breakdown

Components	12/2022	12/2021
1 - credit collection legal fees	- 1,111	- 1,709
2 - sundry and technical legal consultancy	- 1,134	- 1,268
3 - maintenance, repairs, conversions	- 830	- 993
4 - cleaning services	- 590	- 586
5 - rental of machinery and data transmission lines	- 1,161	- 1,148
6 - security and security transportation	- 494	- 476
7 - lighting and heating	- 1,143	- 464
8 - stationery and printed matter	- 180	- 156
9 - postal, telegraph, telex, telephone	- 297	- 284
10 - sundry insurance	- 366	- 324
11 - advertising	- 243	- 239
12 - subscriptions and purchases of publications	- 84	- 90
13 - third party service costs	- 5,288	- 4,729
14 - transportation and relocation	- 170	- 167
15 - membership fees	- 257	- 247
16 - contribution to the National Resolution Fund and the Interbank Guarantee Deposit Fund	- 2,604	- 2,150
17 - car leases	- 34	- 25
18 - information and Chamber of Commerce business register file searches	- 486	- 450
19 - other	- 234	- 216
Subtotal of other administrative expenses	**- 16,706**	**- 15,721**
Indirect taxes and duties		
1 - stamp duty	- 3,596	- 3,640
2 - own municipal tax	- 363	- 380
3 - other	- 513	- 581
Total indirect taxes and duties	**- 4,472**	**- 4,601**
Total other administrative expenses	**- 21,178**	**- 20,322**

"Maintenance, repair and conversions" relate to work performed to make the buildings usable. Therefore, they have been expensed.

Item 16 "Contribution to the National Resolution Fund and the Interbank Deposit Protection Fund" shows the contributions paid to the Single Resolution Mechanism for € 605 thousand and before the face contributions paid to the IDPF for € 1,998 thousand.

The contractual amounts paid in 2022 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.	70,000
Attestation service	Deloitte & Touche S.p.A.	43,000
Other services	Deloitte & Touche S.p.A.	3,000
TOTAL		**116,000**

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

11.1 Net accruals for credit risk associated with loan commitments and financial guarantees given

Tax base / Amount	12/2022
Loan commitments:	**-**
- commitments for endorsement credits	-
- other commitments	-
Financial guarantees given:	**- 88**
- guarantees given	- 88
- other guarantees given	-
Total	**- 88**

11.3 Net accruals to other provisions: breakdown

Tax base / Amount	12/2022
1 - accrual for legal disputes	- 733
2 - accrual for claw-back claims	- 95
3 - other	- 1,831
Total accruals	**- 2,659**
4 - Use to settle claw-back claims/civil disputes	1,317
Total utilisations	**1,317**
Totale accantonamenti netti al 31/12/2022	**- 1,342**

Section 12 - Net adjustments to property, plant and equipment - Caption 180

12.1 Net adjustments to property, plant and equipment: 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	- 2,370	-	-	- 2,370
- owned	*- 1,181*	-	-	*- 1,181*
- rights of use acquired with leases	*- 1,189*	-	-	*- 1,189*
2. Investment	- 17	-	-	- 17
- owned	*- 17*	-	-	*- 17*
- rights of use acquired with leases	-	-	-	-
3. Inventories		-	-	-
Total	**- 2,387**	**-**	**-**	**- 2,387**

Section 13 - Net adjustments to intangible assets - Caption 190

13.1 Net adjustments to 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	- 77	-	-	- 77
- Generated internally	-	-	-	-
- Other	*- 77*	-	-	*- 77*
A.2 Rights of use acquired with leases	-	-	-	-
Total	**- 77**	**-**	**-**	**- 77**

Section 14 - Other operating expense/income - Caption 200

14.1 Other operating expense: breakdown

Tax base / Amount	12/2022	
1 - Charitable donations	-	17
2 - Contributions to bodies and municipalities receiving treasury services	-	3
3 - Amortisation of leasehold improvements	-	204
4 - Losses for robberies	-	1
5 - Other	-	1,136
Total other operating expense	**-**	**1,361**

Item "5 – Other" includes € 9 thousand related to payments for adjustment of expenses and interest in 2021, € 82 thousand for greater expenses for banking services and € 561 thousand for settlement agreements on civil litigation for interest exceeding the legal rate and revocations. Use of the risk provision related to settlement agreements was restated to caption 170 of the profit or loss.
In December, commissions were repaid that had been classified in profit and loss in previous years, totalling € 302 thousand, in accordance with transparency regulations.
Point "5 - Other" also includes extra-performance commissions for Epsilon Sgr for 2020, debited in 2022, for € 92 thousand.

14.2 Other operating income: breakdown

Tax base / Amount	12/2022
1 - Recoveries of administrative expenses	4,860
2 - Security box fees	78
3 - Lease income	437
4 - Other income	274
Total other operating income	**5,649**
Total caption 200	**4,288**

Caption "1 - Recoveries of administrative expenses" includes:
- recoveries of indirect taxes (stamp duty, substitute tax on medium- and long-term financing, registration fees) for € 3,878 thousand;
- recoveries of legal fees for € 474 thousand;
- fast credit processing fees for € 118 thousand;
- recoveries of postal, insurance and telephone fees for € 190 thousand;
- fees for treasury services bodies € 54 thousand;
- recovery of expenses on financing for € 146 thousand.

Item "4 - Other income" includes:
- recovery of fines and fees on current accounts and deposits of € 6 thousand;
- prior year income of € 97 thousand;
- Enbicredito employment fund and FBA contributions of € 114 thousand;
- energy tax credit for € 57 thousand.

Section 18 - Gains (losses) on disposal of investments - Caption 250

18.1 Gains (losses) on disposal of investments: breakdown

Income statement item / Amount	Totale 31/12/2022	Totale 31/12/2021
A. Property	**-**	**-**
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	**2**	**4**
- Gains on sales	2	4
- Losses on sales	-	-
Net gain	**2**	**4**

Section 19 - Income taxes - Caption 270

19.1 Income taxes: breakdown

Income statement item / Amount	Total at 31/12/2022	Total at 31/12/2021
1. Current taxes (-)	- 11,681	- 6,834
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 (+/-)	- 1,152	- 1,960
5. Change in deferred tax liabilities (+/-)	-	-
6. Utilisation of prior year tax provision (+)	-	-
7. Income taxes (-) (-1+/-2+3+/-4+/-5)	**- 12,833**	**- 8,794**

19.2 Reconciliation between the theoretical and effective tax expense

Income statement item / Tax base	Amounts	Balance
Pre-tax profit	37,398	
Effective IRES tax rate	27.50%	
Theoretical tax expense		10,285
Permanent and temporary differences for IRES purposes		- *774*
a) dividends	- 433	
b) other	- 2,381	
IRES tax		**9,511**
Pre-tax profit	37,398	
Effective IRAP tax rate	5.50%	
Theoretical tax expense		2,057
Permanent differences for IRAP purposes	**-**	*113*
a) non-deductible personnel expense	710	
b) impairment losses/gains on loans and receivables	-	
c) other	1,351	
IRAP tax		**2,170**
Income tax expense		**11,681**
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”		1,152
Income tax benefit		**12,833**

Section 22 – Earnings per share

22.1 Average number of ordinary shares with dilutive effect

	Total at 31/12/2022	Total at 31/12/2021
Weighted average number of shares	759,750	759,750
Profit attributable to the share categories (Euro)	24,565,159	15,023,164
Basic EPS (Euro)	32.33	19.77
Diluted EPS (Euro)	32.33	19.77

Pursuant to IAS 33.10/33, the basic earnings per share (EPS) are €32.33.

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	12/2022	12/2021
10.	**Profit for the year**	**24,565**	**15,023**
	Items that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income:	504	- 10
	a) Fair value losses	*504*	*- 10*
	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	1,760	- 306
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	- 622	81
	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:	- 59,074	- 115
	a) fair value gains (losses)	*- 56,130*	*- 163*
	b) reclassification to profit or loss	*- 2,944*	*48*
	- impairment losses for credit risk	*- 1*	*48*
	- gains/(losses) on sales	*- 2,943*	-
	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	19,493	53
190.	**Total other comprehensive expense**	**- 37,939**	**- 297**
200.	**Comprehensive income (expense) (captions 10 + 130)**	**- 13,374**	**14,726**

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 line with regulations, every year the Bank updates the operational plan for managing NPLs. 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.

With reference to climate and environmental risks, the Bank is committed to integrating ESG factors within its corporate processes, also in consideration of supervisory expectations with reference to climate and environmental risks. The Bank continued with projects in the ESG area in the second half of 2022, involving all the main corporate departments. Please see the Report on Operations for more details.

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.

This information was reported on a quarterly basis starting on 30 June 2020, in line with Annex 1 of the EBA Guidelines 2020/07 (EBA 2020/07 (“Reporting models for information on exposures subject to measures applied in response to the Covid-19 crisis”), while public disclosures were issued on a half-yearly basis starting on 30 June 2020 in line with Annex 3 to the EBA Guidelines (“Disclosure models for information on exposures subject to legislative and non-legislative moratorium and on new exposures subject to public guarantee schemes”).

The information envisaged by guideline EBA/GL/2020/07 of 31 December 2022 is published in the Market Disclosures (“Pillar Three”), available on the pages dedicated to financial statements on the www.carifermo.it website.

Note that in a communication issued on 7 February 2023, the Bank of Italy aligned itself with the EBA decision of 16 December 2022, abrogating effective 1 January 2023 guidelines relative to reporting and public disclosure requirements for loans subject to Covid-19 support measures, as in EBA/GL/2020/07. Nonetheless, in consideration of the significant amount of loans subject to Covid-19 public guarantees in Italy, for LSI, the Bank of Italy extended for the entirety of 2023 the disclosure for loans supported by public guarantees. Collection of data on loans subject to Covid-19 moratorium measures ends on 31 March 2023 for LSI, with the last data point at 31 December 2022.

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 Unit, Loans Office, Loan Monitoring 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 credit management process involves the following head office units:

- **Loans Unit:** coordinates implementation of credit guidelines and strategies, participating in the definition of credit strategy guidelines, as well as guidelines on the Bank’s credit risk appetite and management. It guarantees the quality of the credit granted, authorising the same within the extent of its responsibilities and monitoring the Bank’s credit risk appetite and management. It monitors the evolution of the Bank's credit portfolio quality, promoting implementation of corrective actions to guarantee credit quality.
- **Loan Office:** supports development within the local area in synergy with the Commercial Unit, ensuring consistency between risk management and the use of credit instruments. Oversees 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, constantly monitors positions exposed to risk, promptly reporting any impairment and suggesting all necessary actions to protect the position. 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.
- **Credit Monitoring Office,** reporting to the Loans Unit, is mainly responsible for ensuring proper classification of loans, ensuring that all actors responsible for governing this risk work properly and promptly, activating all actions needed for protection in a timely manner and playing a secondary first level control role for credit risk.
- **Impaired Credit Management Office:** cooperates to establish credit processes to improve credit risk management, working to support the dissemination of a shared risk management language. The Office supports the identification of formalised opportunities for coordination, to plan activities both for top level management and the network in relation to the results of management activities for the relative positions, with the aim of identifying and sharing remedial actions. It cooperates with corporate control units to develop control methods consistent with corporate strategies and operations. It manages impaired loans classified as unlikely to pay (UTP) or past due impaired, implementing all management activities deemed expedient to protect the amounts due to the Bank. It promptly informs Credit Monitoring of performing cases and positions for which, due to information in the Office’s position, it has deemed it appropriate to adopt provisions to contain risk and possible precautionary measures.
- **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 from 2021. This procedure, 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, from 2021 the Loan Monitoring Unit was established with the 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.

During 2022, new and unforeseen extraordinary events occurred, which could potentially impact credit quality, including the Russia/Ukraine war, the energy crisis and the large increase in interest rates, the effects of which will continue to be felt in 2023. These led to new and targeted control activities.

In particular, in the second half of 2022, the Credit Monitoring Office performed specific analysis for companies in particularly "energy-intensive" sectors, or which could otherwise plausibly be more heavily impacted by the increase in the cost of energy and commodities, as well as for private households, with the aim of identifying potential risk situations linked to either higher energy costs or higher interest rates. The analysis was done with assistance from the network, using guided questionnaires, a now well-tested instrument that makes it possible to rapidly obtain up to date information from customers, with the aim of adopting targeted actions to review creditworthiness and then promptly implement any needed actions to contain 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.

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 and the Russia/Ukraine conflict

Following the change in the reference macroeconomic situation due to the Russia/Ukraine war, starting on 31 December 2022, certain counterparts deemed particularly vulnerable to the current situation were included in Stage 2 for the purposes of determining Expected Credit Loss (ECL) for performing loans, as illustrated in the paragraph below.

Moreover, 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 model ("multiscenario") for ECL, in particular with reference to the adverse scenario.

Assessment of the significant increase in credit risk (SICR)

In relation to the impacts from the Russia/Ukraine conflict, the Bank began a series of internal activities with reference to loan customers, with the aim of promptly identifying any negative impacts generated by the war, the energy crisis, the increase in interest rates and in the cost of living during 2022, with reference to performing exposures. After this analysis, exposures involving energy-intensive companies were classified in Stage 2 at 31 December 2022.

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 and receivables with 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), taking into consideration, as mentioned, the particular context of macroeconomic uncertainty.

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. As illustrated above, at 31 December 2022 certain counterparties deemed especially vulnerable to the reference scenario were classified in stage 2, based on expert assessments performed internally.

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.

As required by law, the expected credit losses are calculated on the basis of 3 possible scenarios weighted to reflect an objective amount in relation to their different probabilities of occurrence. At 31 December 2022, the impairment model only made use of the "down" scenario, with 100% probability of occurrence, given the prospective macroeconomic situation which includes significant uncertainty linked to the various external factors cited previously.

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 "Collateral evaluation policy" approved by the Board of Directors on 29 April 2022. The approval of the update to this policy did not lead to any significant impacts for the Bank in the annual financial statements.
Without prejudice to the fact that loan disbursement must essentially be based on evaluating the income capacity of the relevant entity, it is particularly important to acquire additional instruments that help to reduce eventual losses for the Bank in the case of counterparty default.

Instruments used to attenuate credit and counterparty risk are essentially represented by collateral and personal guarantees. The bank obtains acceptable guarantees, such as CRM tools, on a preferential basis, without waiving those without these requirements as additional protection of credit; Important 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.

Management of guarantees with reference to loans granted is the responsibility of the Bank's Credit Office supported, with reference to verification, activation and filing activities, by the external company Caricese.
In accordance with the 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.

The “Collateral evaluation policy” also governs the methods used to evaluate real estate and moveable asset collateral, internal organisational aspects and monitoring and reassessment of guarantees.

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 2023-2025 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, maintenance at adequate recovery levels and maintenance of adequate coverage rates of NPE.

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.

Utilising a specific IT procedure to monitor credit, information is acquired in terms of performance and anomalies coming from both internal sources (overdrafts, suspended cheques, items to be adjusted, etc.) and from external sources (Central Risk Database, CAI, external provider reports on prejudicial events, etc.). Based on this evidence and any notifications received from Branches/Agencies, as well as inspection reports or notices from the Risk Governance Office, after carrying out the necessary research, the relevant units determine the expediency of adopting provisions to contain risk and, when necessary, prepare documents so as to switch classification status (from performing to UTP, from UTP to impaired).

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).

This classification is proposed based on the parameters in the Credit classification and measurement policy and is decided by the Impaired Loan Management Manager for positions involving credit lines of up to € 50 thousand, with this limit raised to € 100 thousand in the case of mortgages. For positions involving loans of up to € 100 thousand, with this limit raised to € 150 thousand in the case of mortgages, a change in status is authorised by the Loans Unit Manager, based on a proposal from the Credit Monitoring Office; for positions involving loans of up to € 3 million, a change in status is authorised by the General Manager, based on a proposal from the Loan Monitoring Office and the Loans Unit Manager; for positions involving loans of more than € 3 million, decision making responsibility falls to the Executive Committee.

Management of past due exposures or unlikely to pay exposures is carried out by the Impaired Credit Management Office and requires dialogue with the client, generally through the reference branch and, in situations involving significant amounts, complexity or conflict, also involve the relevant Hub manager. When necessary, the Impaired Credit Management Office Manager, assisted by local units, will meet directly with the counterparty.

These activities are intended to improve the actions implemented to normalise the positions, while impeding any worsening of impairment, returning the relation to current status and helping to minimise credit risk.

In cases in which, after the investigation process, the Bank wishes to extricate itself from the relation and the counterparty is in a definitive and irreversible state of crisis that will not allow for out of court settlements, even with a debt rescheduling agreement, the Impaired Credit Management Office begins activities to revoke the loan within the limits of the powers granted to the Office Manager, submitting any positions exceeding these limits to the Delegated Bodies. The post-revocation process must end by a deadline of 6 months.

The NPE Office manager also 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;
- 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 Impaired Credit Management Office checks all positions classified as unlikely to pay, non-performing past due and/or overdrawn. 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, in line with he Credit Classification and Measurement Policy.

With respect to impaired positions, the Bank has outlined the management and monitoring activities for impaired loans in the Impaired Credit Management Regulations. Moreover, the intervention strategies described 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 29 November 2022), 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 stock of forborne exposures relative to clients came to € 52.0 million at 31 December 2022 in terms of gross exposure. This includes forborne exposures relative to performing counterparts for € 26.7 million. The non-performing forborne exposures include bad exposures for € 12.7 million, unlikely to pay for € 12.6 million and non-performing past due for € 36 thousand.

Quantitative disclosure

A. Credit quality

A.1 Impaired and non-impaired exposures: amounts, writedowns, trends and economic distribution

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	21,400	16,750	385	4,191	1,441,754	**1,484,480**
2. Financial assets at fair value through other comprehensive income	-	-	-	-	882,808	**882,808**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	**-**
5. Financial assets held for sale	-	-	-	-	-	**-**
Total at 31/12/2022	**21,400**	**16,750**	**385**	**4,191**	**2,324,562**	**2,367,288**
Total at 31/12/2021	**18,271**	**27,654**	**671**	**39,099**	**2,271,049**	**2,356,744**

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	101,574	63,038	38,536	4,855	1,459,944	13,998	1,445,946	1,484,482
2.Financial assets at fair value through other comprehensive income	-	-	-	-	882,987	179	882,808	882,808
3. Financial assets designated at fair value	-	-	-	-			-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-			-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total at 31/12/2022	**101,574**	**63,038**	**38,536**	**4,855**	**2,342,931**	**14,177**	**2,328,754**	**2,367,290**
Total at 31/12/2021	**111,292**	**64,696**	**46,596**	**5,867**	**2,322,159**	**12,032**	**2,310,149**	**2,356,745**

Partial write-offs of non-performing exposures totalled € 4,855 thousand.

It had 8 bad exposures under deed of arrangement at 31 December 2022 (€ 823 thousand gross).

Seven positions, for a gross amount of € 717 thousand, classified as bad exposures in 2021, were wound up in 2022.

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 2022 include:

- 7 positions under deed of arrangement (€ 2,469 thousand);
- one position under deed of arrangement, currently in the probation period (€ 677 thousand).

Portfolio/quality	Assets with poor credit quality		Other assets
	Accumulated losses	Carrying amount	Carrying amount
1. Financial assets held for trading	-	-	168,752
2. Hedging derivatives	-	-	-
Total at 31/12/2022	**-**	**-**	**168,752**
Total at 31/12/2021	**-**	**-**	**102,114**

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	702	13	-	933	2,513	30	103	1,686	29,424	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31/12/2022	**702**	**13**	**-**	**933**	**2,513**	**30**	**103**	**1,686**	**29,424**	**-**	**-**	**-**
Total at 31/12/2021	**14,805**	**1**	**-**	**22,624**	**1,254**	**416**	**2,330**	**672**	**33,655**	**-**	**-**	**-**

A.1.4 Financial assets, loan commitments and financial guarantees given: 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	**96**	**6,045**	**181**	**-**	**112**	**5,933**	**-**	**5,807**	**-**	**-**	**-**	**5,807**	**-**	**64,696**	**-**	**-**	**64,696**	**-**	**-**	**-**	**-**	**-**	**-**	**52**	**10**	**49**	**-**	**76,936**
Increase in purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	-10	-118	-	-10	-	-	-	-	-	-	-	-	-3,929	-	-	-3,929	-	-	-	-	-	-	-	-	-	-	-4,057
Net impairment losses (gains) for credit risk (+/-)	-89	-765	116	-	62	-827	3	2,921	-	-	-	2,921	-	3,835	-	-	3,835	-	-	-	-	-	-	40	19	29	-	6,109
Modification losses (gains)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-1,564	-	-	-1,564	-	-	-	-	-	-	-	-	-	-	-1,564
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	**7**	**5,270**	**179**	**-**	**164**	**5,106**	**3**	**8,728**	**-**	**-**	**-**	**8,728**	**-**	**63,038**	**-**	**-**	**63,038**	**-**	**-**	**-**	**-**	**-**	**-**	**92**	**29**	**78**	**-**	**77,424**
Collections of written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	113	-	-	-	-	-	-	-	-	-	-	-	-	-	113
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	10	-	-	-	-	-	214	-	-	-	-	-	-	-	-	-	-	-	-	-	224

Financial assets at amortised cost represented by loans to customers, in stage 1 and stage 2, were subject to collective measurement utilising forward looking models, to calculate ECL at one year for stage 1 and lifetime ECL for stage 2. The figure for individual impairment refers to impairment of HTC securities in the Bank’s portfolio.

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. On 20 January 2023, the Board of Directors updated these criteria, which were utilised in the annual financial statements at 31 December 2022, without any significant impacts in terms of stage 1 and stage 2 classification of non-impaired credit exposures.

Stage 3 financial assets have been assessed individually, also considering the relevant guarantees.

A.1.5 Financial assets, loan commitments and financial guarantees given: 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	91,947	63,275	6,277	2,958	2,571	683
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	24,645	8,311	98	21	292	3
Total at 31/12/2022	**116,592**	**71,586**	**6,375**	**2,979**	**2,863**	**686**
Total at 31/12/2021	**124,108**	**99,139**	**5,799**	**877**	**3,552**	**289**

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	**13,698**	**6,082**	**815**	**-**	**600**	**73**
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	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new financing	13,698	6,082	815	-	600	73
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	-	-	-	-	-	-
Total at 31/12/2022	**13,698**	**6,082**	**815**	**-**	**600**	**73**
Total at 31/12/2021	**16,348**	**25,027**	**472**	**61**	**614**	**-**

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	*7,601*	*5,561*	*2,040*	-	-	*10*	*7*	*3*	-	-	*7,591*	-
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	7,601	5,561	2,040		-	10	7	3		-	7,591	-
A.2 OTHER	*54,696*	*17,665*	-	-	-	-	-	-	-	-	*54,696*	-
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	54,696	17,665	-		-	-	-	-		-	54,696	-
- including: forborne exposures	-	-	-		-	-	-	-		-	-	-
TOTAL A	62,297	23,226	2,040	-	-	10	7	3	-	-	62,287	-
B. OFF-STATEMENT OF FINANCIAL POSITION											-	
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	9,869	5,237	-		-	28	28	-		-	9,841	-
TOTAL B	9,869	5,237	-	-	-	28	28	-	-	-	9,841	-
TOTAL A + B	72,166	28,463	2,040	-	-	38	35	3	-	-	72,128	-

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	*9,869*	*5,237*	-		-	*28*	*28*	-		-	*9,841*	-
b.1) Deposits for repos	-	-	-		-	-	-	-		-	-	-
b.2) Interbank Deposit Protection Fund (FITD)	5,237	5,237	-		-	28	28	-		-	5,209	-
b.3) Commitment with CC.OO to purchase securities	1,694	-	-		-	-	-	-		-	1,694	-
b.4) Interest rate derivatives	2,491	-	-		-	-	-	-		-	2,491	-
b.5) Currency forwards	447	-	-		-	-	-	-		-	447	-
TOTAL B	9,869	5,237	-	-	-	28	28	-	-	-	9,841	-

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	67,291		-	67,291	-	45,890		-	45,890	-	21,401	4,855
- including: forborne exposures	*12,682*		-	*12,682*	-	*8,287*		-	*8,287*	-	*4,395*	*2,991*
b) Unlikely to pay exposures	33,830		-	33,830	-	17,080		-	17,080	-	16,750	-
- including: forborne exposures	*12,596*		-	*12,596*	-	*5,287*		-	*5,287*	-	*7,309*	-
c) Non-performing past due exposures	453		-	453	-	68		-	68	-	385	-
- including: forborne exposures	*36*		-	*36*	-	*5*		-	*5*	-	*31*	-
d) Performing past due exposures	4,526	743	3,783		-	335	27	307		-	4,191	-
- including: forborne exposures	*732*	-	*732*		-	*42*	-	*42*		-	*690*	-
e) Other performing exposures	2,449,442	2,115,370	205,369		-	13,843	5,422	8,421		-	2,435,599	-
- including: forborne exposures	*25,948*	-	*25,948*		-	*1,164*	-	*1,164*		-	*24,784*	-
TOTAL A	**2,555,542**	**2,116,113**	**209,152**	**101,574**	**-**	**77,216**	**5,449**	**8,728**	**63,038**	**-**	**2,478,326**	**4,855**
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing exposures	4,365		-	4,365	-	78		-	78	-	*4,287*	-
b) Performing exposures	*581,186*	*534,554*	*39,623*		-	*93*	*64*	*29*		-	581,093	-
TOTAL B	**585,551**	**534,554**	**39,623**	**4,365**	**-**	**171**	**64**	**29**	**78**	**-**	**585,380**	**-**
TOTAL A + B	**3,141,093**	**2,650,667**	**248,775**	**105,939**	**-**	**77,387**	**5,513**	**8,757**	**63,116**	**-**	**3,063,706**	**4,855**

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	***4,365***		**-**	***4,365***	**-**	***78***		**-**	***78***	**-**	***4,287***	**-**
a.1) Financial endorsement credits	-		-	-	-	-		-	-	-	-	-
a.2) Commercial endorsement credits	383		-	383	-	78		-	78	-	*305*	-
a.3) Commitments of uncertain use	3,982		-	3,982	-	-		-	-	-	*3,982*	-
b) Performing exposures	***581,186***	***534,554***	***39,623***		**-**	***93***	***64***	***29***		**-**	***581,093***	**-**
b.1) Financial endorsement credits	111	111	-		-	-	-	-		-	111	-
b.2) Commercial endorsement credits	18,785	12,428	6,357		-	47	23	24		-	18,738	-
b.3) Commitments of uncertain use	554,649	521,383	33,266		-	43	38	5		-	554,606	-
b.4) Financing for repos	-	-	-		-	-	-	-		-	-	-
b.5) Commitment with II.CC to purchase securities issued by CC.OO.	6,928	-	-		-	-	-	-		-	6,928	-
b.6) Interest rate derivatives and forwards	-	-	-		-	-	-	-		-	-	-
b.7) Currency forwards	81	-	-		-	-	-	-		-	81	-
b.8) Risks associated with SFTs (repos)	-	-	-		-	-	-	-		-	-	-
b.9) Interbank Deposit Protection Fund - voluntary scheme	632	632	-		-	3	3	-		-	629	-
TOTAL B	**585,551**	**534,554**	**39,623**	**4,365**	**-**	**171**	**64**	**29**	**78**	**-**	**585,380**	**-**

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	**1,630**	**-**	**-**	**1,630**	**-**	**553**	**-**	**-**	**553**	**-**	**1,077**	**-**
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	1,630	-	-	1,630	-	553	-	-	553	-	1,077	-
C) NON-PERFORMING PAST DUE FINANCING	**91**	**-**	**-**	**91**	**-**	**16**	**-**	**-**	**16**	**-**	**75**	**-**
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	91	-	-	91	-	16	-	-	16	-	75	-
D) PERFORMING PAST DUE FINANCING	**369**	**132**	**237**	**-**	**-**	**41**	**6**	**35**	**-**	**-**	**328**	**-**
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	369	132	237	-	-	41	6	35	-	-	328	-
E) OTHER PERFORMING FINANCING	**199,789**	**179,289**	**20,500**	**-**	**-**	**2,099**	**1,159**	**940**	**-**	**-**	**197,690**	**-**
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	199,789	179,289	20,500	-	-	2,099	1,159	940	-	-	197,690	-
TOTAL A + B + C + D + E	**201,879**	**179,421**	**20,737**	**1,721**	**-**	**2,709**	**1,165**	**975**	**569**	**-**	**199,170**	**-**

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	**59,802**	**50,688**	**802**
- including: exposures transferred but not derecognised	-	-	-
B. Increases	**13,937**	**9,192**	**476**
B.1 from performing exposures	461	7,836	409
B.2 from purchased or originated credit-impaired exposures	-	-	-
B.3 transfers from other non-performing categories	12,368	905	-
B.4 modification gains	-	-	-
B.5 other increases	1,108	451	67
C. Decreases	**6,448**	**26,050**	**825**
C.1 transfers to performing exposures	-	650	35
C.2 write-offs	1,612	52	-
C.3 collections	4,836	12,346	318
C.4 sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other non-performing categories	-	12,801	472
C.7 modification gains	-	-	-
C.8 Other decreases	-	201	-
D. Gross closing balance	**67,291**	**33,830**	**453**
- 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	**26,445**	**21,834**
- including: exposures transferred but not derecognised	-	-
B. Increases	**9,911**	**16,233**
B.1 transfers from performing exposures not subject to forbearance	779	13,259
B.2 transfers from performing forborne exposures	3,850	
B.3 transfers from performing forborne exposures		2,602
B.4 transfers from non-performing exposures not subject to forbearance measures	-	-
B.5 other increases	5,282	372
C. Decreases	**11,042**	**11,387**
C.1 transfers to performing exposures not subject to forbearance		1,390
C.2 transfers to performing forborne exposures	2,602	
C.3 transfers to non-performing forborne exposures		3,850
C.4 cancellations	166	-
C.5 collections	6,284	6,145
C.6 sales	-	-
C.7 losses on sales	-	-
C.8 other decreases	1,990	2
D. Gross closing balance	**25,314**	**26,680**
- 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	**41,531**	**7,729**	**23,034**	**4,777**	**131**	**16**
- including: exposures transferred but not derecognised	-	-	-	-	-	-
B. Increases	**9,122**	**1,393**	**4,313**	**2,486**	**67**	**5**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-		-		-	
B.2 other impairment losses	4,271	1,000	4,240	2,475	67	5
B.3 losses on sales	-	-	-	-	-	-
B.4 transfers from other non-performing categories	4,851	393	73	11	-	-
B.5 modification gains	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	**4,763**	**835**	**10,267**	**1,976**	**130**	**16**
C.1 impairment gains from valuation	1,295	184	3,419	1,092	29	2
C.2 impairment gains from collection	1,926	487	1,979	488	24	3
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	1,542	164	22	3	-	-
C.5 transfers to other non-performing categories	-	-	4,847	393	77	11
C.6 modification gains	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Closing balance	**45,890**	**8,287**	**17,080**	**5,287**	**68**	**5**
- including: exposures transferred but not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, loan commitments and financial guarantees given based on external and internal rating class

A.2.1 Breakdown of financial assets, loan commitments and financial guarantees given 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	**-**	**-**	**372,642**	**-**	**-**	**-**	**1,188,875**	**1,561,517**
- Stage 1	-	-	342,358	-	-	-	908,433	1,250,791
- Stage 2	-	-	30,284	-	-	-	178,868	209,152
- Stage 3	-	-	-	-	-	-	101,574	101,574
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**882,987**	**-**	**-**	**-**	**-**	**882,987**
- Stage 1	-	-	882,987	-	-	-	-	882,987
- 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)	**-**	**-**	**1,255,629**	**-**	**-**	**-**	**1,188,875**	**2,444,504**
D. Loan commitments and financial guarantees given	**-**	**-**	**21,982**	**-**	**-**	**-**	**570,419**	**592,401**
- Stage 1	-	-	21,982	-	-	-	526,431	548,413
- Stage 2	-	-	-	-	-	-	39,623	39,623
- Stage 3	-	-	-	-	-	-	4,365	4,365
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**21,982**	**-**	**-**	**-**	**570,419**	**592,401**
Total (A + B + C + D)	**-**	**-**	**1,277,611**	**-**	**-**	**-**	**1,759,294**	**3,036,905**

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:	**1,007,368**	**939,129**	**402,087**	**-**	**11,230**	**22,972**	**-**	**-**	**-**	**-**	**-**	**201,055**	**29,627**	**95,728**	**141,053**	**903,752**
1.1. fully guaranteed	840,445	777,400	399,880	-	9,572	22,662	-	-	-	-	-	105,539	24,174	84,422	131,120	777,369
- including: non-performing	*88,265*	*35,476*	*29,986*	-	-	*177*	-	-	-	-	-	*1,437*	*492*	*282*	*3,100*	*35,474*
1.2. Partly guaranteed	166,923	161,729	2,207	-	1,658	310	-	-	-	-	-	95,516	5,453	11,306	9,933	126,383
- including: non-performing	*5,967*	*2,243*	*939*	-	*7*	-	-	-	-	-	-	*708*	*240*	*48*	*15*	*1,957*
2. Off-statement of financial position guaranteed exposures:	**215,735**	**215,683**	**6,907**	**-**	**4,452**	**2,088**	**-**	**-**	**-**	**-**	**-**	**19,787**	**2,780**	**5,129**	**160,076**	**201,219**
2.1. fully guaranteed	183,401	183,354	5,049	-	3,440	1,525	-	-	-	-	-	9,879	2,201	5,102	153,365	180,561
- including: non-performing	*882*	*882*	*219*	-	-	-	-	-	-	-	-	*299*	-	-	*363*	*881*
2.2. Partly guaranteed	32,334	32,329	1,858	-	1,012	563	-	-	-	-	-	9,908	579	27	6,711	20,658
- including: non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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**	**47**	**524**	**-**
A.1. Used for operations	-	-	-	-	-
A.2. Investment	2,013	571	47	524	-
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 12/2022	**2,013**	**571**	**47**	**524**	**-**
Total 12/2021	**2,013**	**571**	**30**	**541**	**-**

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	-	-	42	377	-	-
- including: forborne exposures	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-
- including: forborne exposures	-	-	-	-	-	-
A.3 Non-performing past due exposures	47	3	-	-	-	-
- including: forborne exposures	-	-	-	-	-	-
A.4 Performing exposures	1,338,718	2,319	66,513	463	-	-
- including: forborne exposures	-	-	-	-	-	-
Total A	**1,338,765**	**2,322**	**66,555**	**840**	**-**	**-**
B. Off-statement of financial position						
B.1 Non-performing exposures	-	-	-	-	-	-
B.2 Performing exposures	84,434	16	11,234	8	90	-
Total B	**84,434**	**16**	**11,234**	**8**	**90**	**-**
Total (A + B) at 31/12/2022	**1,423,199**	**2,338**	**77,789**	**848**	**90**	**-**
Total (A + B) at 31/12/2021	**1,331,794**	**960**	**76,996**	**651**	**1,211**	**-**

Exposure/Counterparty	Non-financial companies		Households	
	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position				
A.1 Bad exposures	14,178	31,252	7,181	14,261
- including: forborne exposures	*2,066*	*5,401*	*2,329*	*2,886*
A.2 Unlikely to pay exposures	11,848	14,521	4,902	2,559
- including: forborne exposures	*4,690*	*3,796*	*2,619*	*1,491*
A.3 Non-performing past due exposures	72	13	266	52
- including: forborne exposures	*3*	-	*28*	*5*
A.4 Performing exposures	647,748	6,034	386,811	5,362
- including: forborne exposures	*20,472*	*975*	*5,002*	*231*
Total A	**673,846**	**51,820**	**399,160**	**22,234**
B. Off-statement of financial position				
B.1 Non-performing exposures	4,228	78	59	-
B.2 Performing exposures	423,356	49	62,068	21
Total B	**427,584**	**127**	**62,127**	**21**
Total (A + B) at 31/12/2022	**1,101,430**	**51,947**	**461,287**	**22,255**
Total (A + B) at 31/12/2021	**1,148,527**	**54,016**	**463,187**	**21,205**

Item "A.1 Bad exposures - including: forborne exposures" includes 130 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 119 positions subject to forbearance measures.

Item “A.3 Non-performing past due exposures - including: forborne exposures” includes 3 positions subject to forbearance measures.

Item “A.4 Performing exposures - including: forborne exposures” comprises 227 positions subject to forbearance measures.

The credit concentration risk is analysed in the directors’ report.

B.2 Breakdown of on- and off-statement of financial position exposures with customers by geographical segment

Exposure/Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		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	21,396	45,651	-	-	4	239	-	-	-	-
A.2 Unlikely to pay exposures	16,750	17,080	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	385	68	-	-	-	-	-	-	-	-
A.4 Performing exposures	2,347,338	14,176	65,080	1	17,992	-	7,167	-	2,213	-
Total A	**2,385,869**	**76,975**	**65,080**	**1**	**17,996**	**239**	**7,167**	**-**	**2,213**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	4,287	78	-	-	-	-	-	-	-	-
B.2 Performing exposures	580,086	93	1,007	-	-	-	-	-	-	-
Total B	**584,373**	**171**	**1,007**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) at 31/12/2022	**2,970,242**	**77,146**	**66,087**	**1**	**17,996**	**239**	**7,167**	**-**	**2,213**	**-**
Total (A + B) at 31/12/2021	**2,949,709**	**76,795**	**44,060**	**1**	**15,451**	**36**	**9,034**	**-**	**2,250**	**-**

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	386	1,718	-	227	19,951	40,586	1,060	3,120
A.2 Unlikely to pay exposures	105	55	23	13	15,911	16,593	711	419
A.3 Non-performing past due exposures	10	1	45	5	306	59	24	3
A.4 Performing exposures	50,439	341	20,742	276	2,159,831	12,492	116,326	1,067
Total A	**50,940**	**2,115**	**20,810**	**521**	**2,195,999**	**69,730**	**118,121**	**4,609**
B. Off-statement of financial position								
B.1 Non-performing exposures	756	74	-	-	3,528	4	3	-
B.2 Performing exposures	4,907	4	6,536	-	516,171	87	52,472	3
Total B	**5,663**	**78**	**6,536**	**-**	**519,699**	**91**	**52,475**	**3**
Total (A + B) at 31/12/2022	**56,603**	**2,193**	**27,346**	**521**	**2,715,698**	**69,821**	**170,596**	**4,612**
Total (A + B) at 31/12/2021	**52,997**	**2,195**	**26,674**	**428**	**2,708,914**	**69,745**	**161,126**	**4,427**

B.3 Breakdown of on- and off-statement of financial position exposures with banks by geographical segment

Exposure/Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		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	24,038	6	26,400	-	8,499	4	-	-	3,349	-
Total A	**24,038**	**6**	**26,400**	**-**	**8,499**	**4**	**-**	**-**	**3,349**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	8,147	28	999	-	-	-	-	-	695	-
Total B	**8,147**	**28**	**999**	**-**	**-**	**-**	**-**	**-**	**695**	**-**
Total (A + B) at 31/12/2022	**32,185**	**34**	**27,399**	**-**	**8,499**	**4**	**-**	**-**	**4,044**	**-**
Total (A + B) at 31/12/2021	**355,915**	**98**	**17,411**	**-**	**3,213**	**4**	**-**	**-**	**2,612**	**-**

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	4,706	6	-	-	19,332	-	-	-
Total A	**4,706**	**6**	**-**	**-**	**19,332**	**-**	**-**	**-**
B. Off-statement of financial position								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	2,939	-	-	-	5,208	28	-	-
Total B	**2,939**	**-**	**-**	**-**	**5,208**	**28**	**-**	**-**
Total (A + B) at 31/12/2022	**7,645**	**6**	**-**	**-**	**24,540**	**28**	**-**	**-**
Total (A + B) at 31/12/2021	**80,163**	**92**	**-**	**-**	**275,752**	**6**	**-**	**-**

B.4 Large exposures

Tax base / Amount	31/12/2022	31/12/2021
a) Carrying amount	1,755,385	1,932,961
b) Weighted amount	62,529	113,455
c) Number	6	5

The above table shows both the weighted and carrying amount of the large exposures. The number of positions increased to 6 compared to the 5 recorded in 2021, and mainly refer to institutional counterparties, with only one an ordinary customer.
Their weighted amount decreased from € 113,455 thousand at 31 December 2021 to € 62,529 thousand at 31/12/2022.

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"). The GACS guarantee was granted by the Ministry of Economy and Finance with a deed dated 10/06/2022.

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 securities issued in the context of the operation ("vertical slice").

The main characteristics of the 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	***7,451***	***110***	**-**	**-**	**-**	***- 22***
- Repurchased securities not capitalised, uncommitted - SPV 000002064	7,451	110	-	-	-	- 22
- Subordinated loan active in the form of securities - SPV 000002064	-	-	-	-	-	-
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", at the carrying amount at 31/12/2022 received following the multi-originator securitisation with GACS, Buonconsiglio 4.
During 2022, the senior security saw redemptions of € 645 thousand, with impairment of € 54 thousand, bringing total impairment recognised to € 110 thousand. Additionally, the Bank recognised € 22 thousand in impairment for the junior security, reducing its value to zero, as had already occurred for the mezzanine security.

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 securities issued by governments or banks in 2022, 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 inflation-linked floating rate items.

As part of its ordinary trading activities, the Bank undertook transactions directly for government bonds and bonds, mostly issued by banks.

Impacts from the Covid-19 pandemic and the Russia/Ukraine conflict

During the second half of 2022, the Russia/Ukraine conflict and reference situation continued to create significant tension on the financial markets, with consequent repercussions on the internal VaR indicator, as well as on the results of the securities portfolio.

In relation to VaR, starting in February 2022 and continuing throughout the rest of the year, this indicator exceeded the internal limit.

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 subsequent amendments 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.

During 2022, the back-testing model for VaR was optimised, to improve its accuracy in reflecting real changes in the value of the securities portfolio analysed.

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	**-**	**39,247**	**35,371**	**26,306**	**50,840**	**1,396**	**-**	**-**
1.1 Debt instruments	-	39,247	35,371	26,306	50,840	1,396	-	-
- with early repayment option	-	*2,063*	*4,959*	*4,825*	*5,508*	-	-	-
- other	-	*37,184*	*30,412*	*21,481*	*45,332*	*1,396*	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**39,338**	**11,341**	**28,789**	**121,958**	**45,791**	**14,718**	**-**
3.1 With underlying security	-	11,591	2,664	-	992	1,977	3,892	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*11,591*	*2,664*	-	*992*	*1,977*	*3,892*	-
+ long positions	-	*3,664*	-	-	*992*	*1,977*	*3,892*	-
+ short positions	-	*7,927*	*2,664*	-	-	-	-	-
3.2 Without underlying security	-	27,747	8,677	28,789	120,966	43,814	10,826	-
- Options	-	*751*	*7,891*	*28,327*	*111,316*	*41,876*	*5,348*	-
+ long positions	-	*341*	*4,007*	*14,170*	*55,647*	*20,917*	*2,672*	-
+ short positions	-	*410*	*3,884*	*14,157*	*55,669*	*20,959*	*2,676*	-
- Other derivatives	-	*26,996*	*786*	*462*	*9,650*	*1,938*	*5,478*	-
+ long positions	-	*17,510*	-	*231*	*8,533*	-	-	-
+ short positions	-	*9,486*	*786*	*231*	*1,117*	*1,938*	*5,478*	-

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	**-**	**-**	**2,332**	**-**	**6,284**	**3,068**	**-**	**-**
1.1 Debt instruments	-	-	2,332	-	6,284	3,068	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	2,332	-	6,284	3,068	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**47,287**	**3,118**	**462**	**691**	**-**	**-**	**-**
3.1 With underlying security	-	3,040	2,332	-	691	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*3,040*	*2,332*	-	*691*	-	-	-
+ long positions	-	*2,345*	-	-	*691*	-	-	-
+ short positions	-	*695*	*2,332*	-	-	-	-	-
3.2 Without underlying security	-	44,247	786	462	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*44,247*	*786*	*462*	-	-	-	-
+ long positions	-	*18,111*	*786*	*231*	-	-	-	-
+ short positions	-	*26,136*	-	*231*	-	-	-	-

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	**50**	**3,408**	**244**	**119**	**136**	**428**	**-**
- Long positions	*50*	*3,408*	*244*	*119*	*136*	*428*	-
- 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	**-**	**-**	**-**	**-**	**-**	**6**	**-**
- Long positions	-	-	-	-	-	*6*	-
- 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 the second half of 2022, the VaR of the trading book (the portion managed internally, excluding management mandates) recorded a maximum value of approximately € 98 thousand (€ 559 thousand in the first half of 2022), while the average value was around € -36 thousand (€ 50 thousand in the first half of 2022). At 31 December 2022, the VaR of the internally managed trading book was € -16 thousand.
Also note that including asset management securities, during 2022 the VaR of the trading portfolio reached a maximum value of around € 1.4 million in June 2022; the average value was around € 761 thousand. At the end of 2022, the VaR for the trading portfolio (including management mandates) was € 764 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 periodically with reports produced and submitted to the General Manager and Board of Directors.

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	**208.439**	**593.339**	**989.035**	**35.413**	**179.996**	**212.682**	**151.623**	**-**
1.1 Debt instruments	-	41.117	947.230	-	14.785	122.428	46.979	-
- with early repayment option	-	*7.451*	-	-	-	*1.316*	-	-
- other	-	*33.666*	*947.230*	-	*14.785*	*121.112*	*46.979*	-
1.2 Financing to banks	3.340	17.658	-	-	-	-	-	-
1.3 Financing to customers	**205.099**	**534.564**	**41.805**	**35.413**	**165.211**	**90.254**	**104.644**	**-**
- current accounts	*104.453*	*1.317*	*2.148*	*1.758*	*3.604*	*4.224*	-	-
- other financing	*100.646*	*533.247*	*39.657*	*33.655*	*161.607*	*86.030*	*104.644*	-
- with early repayment option	*9.838*	*520.892*	*39.186*	*32.729*	*153.536*	*78.124*	*104.644*	-
- other	*90.808*	*12.355*	*471*	*926*	*8.071*	*7.906*	-	-
2. Liabilities	**1.873.948**	**467.840**	**8.482**	**14.118**	**34.014**	**18.799**	**55.984**	**-**
2.1 Due to customers	1.871.036	3.738	5.154	2.251	16.839	18.799	55.984	-
- current accounts	*1.780.706*	*264*	-	*2*	*195*	-	-	-
- other liabilities	*90.330*	*3.474*	*5.154*	*2.249*	*16.644*	*18.799*	*55.984*	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*90.330*	*3.474*	*5.154*	*2.249*	*16.644*	*18.799*	*55.984*	-
2.2 Due to banks	1.797	460.000	-	-	-	-	-	-
- current accounts	*1.797*	-	-	-	-	-	-	-
- other liabilities	-	*460.000*	-	-	-	-	-	-
2.3 Debt instruments	1.115	4.102	3.328	11.867	17.175	-	-	-
- with early repayment option	-	*3.205*	*1.392*	*8.625*	*17.162*	-	-	-
- other	*1.115*	*897*	*1.936*	*3.242*	*13*	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**24.927**	**2.806**	**346**	**10.213**	**9.438**	**7.128**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	24.927	2.806	346	10.213	9.438	7.128	-
- Options	**-**	***24.927***	***2.806***	***346***	***10.213***	***9.438***	***7.128***	**-**
+ long positions	-	*137*	*167*	*346*	*10.213*	*9.438*	*7.128*	-
+ short positions	-	*24.790*	*2.639*	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	***13.456***	***9.310***	**-**	**-**	**-**	***107***	***4.039***	**-**
+ long positions	-	*9.310*	-	-	-	*107*	*4.039*	-
+ short positions	*13.456*	-	-	-	-	-	-	-

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	**4.259**	**95**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	4.259	-	-	-	-	-	-	-
1.3 Financing to customers	**-**	**95**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts	-	-	-	-	-	-	-	-
- other financing	-	*95*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*95*	-	-	-	-	-	-
2. Liabilities	**3.937**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	3.937	-	-	-	-	-	-	-
- current accounts	*3.741*	-	-	-	-	-	-	-
- other liabilities	*196*	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*196*	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other liabilities	-	-	-	-	-	-	-	-
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 2022, the difference in net interest income at 1 year (with reference to operating figures and with modelling of on-demand items) amounts to approximately € 1.4 million in the event of a parallel shift of +100 bps and € -3.1 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 € -0.8 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	**13,198**	**331**	**10**	**266**	**324**	**5,836**
A.1 Debt instruments	6,617	-	-	-	-	5,229
A.2 Equity instruments	3,347	159	-	27	151	80
A.3 Financing to banks	3,138	172	10	239	173	527
A.4 Financing to customers	96	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**158**	**49**	**3**	**14**	**53**	**24**
C. Financial liabilities	**2,955**	**161**	**-**	**252**	**203**	**366**
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	2,955	161	-	252	203	366
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**23,987**	**246**	**-**	**-**	**131**	**880**
- Options	-	-	-	-	-	-
+ *long positions*	-	-	-	-	-	-
+ *short positions*	-	-	-	-	-	-
- Other derivatives	23,987	246	-	-	131	880
+ *long positions*	*8,203*	*5*	-	-	*6*	*788*
+ *short positions*	*15,784*	*241*	-	-	*125*	*92*
Total assets	**21,559**	**385**	**13**	**280**	**383**	**6,648**
Total liabilities	**18,739**	**402**	**-**	**252**	**328**	**458**
Difference (+/-)	**2,820**	**- 17**	**13**	**28**	**55**	**6,190**

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	Total at 12/2022				Total at 12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt instruments and interest rates	**-**	**-**	**17,705**	**11,626**	**-**	**-**	**20,544**	**1,698,400**
a) Options	-	-	9,172	-	-	-	12,011	1,695,400
b) Swaps	-	-	8,533	-	-	-	8,533	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	11,626	-	-	-	3,000
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share index	**-**	**-**	**-**	**165**	**-**	**-**	**-**	**13,321**
a) Options	-	-	-	159	-	-	-	13,320
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	6	-	-	-	1
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**24,611**	**-**	**-**	**-**	**14,498**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	24,611	-	-	-	14,498	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

Type of derivative	Total at 12/2022				Total at 12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	72	463	-	-	9	235
b) Interest rate swaps	-	-	1,957	-	-	-	410	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	528	-	-	-	115	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,557**	**463**	**-**	**-**	**534**	**235**
1. Negative fair value								
a) Options	-	-	69	37	-	-	8	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	355	-	-	-	72	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**424**	**37**	**-**	**-**	**80**	**-**

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				
- notional amount		13,497	-	4,208
- positive fair value		2,029	-	-
- negative fair value		-	-	69
2. Equity instruments and share indexes				
- notional amount		-	-	-
- positive fair value		-	-	-
- negative fair value		-	-	-
3. Currencies and gold			-	
- notional amount		22,697	-	1,914
- positive fair value		447	-	81
- negative fair value		355	-	-
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	2,024	5,885	9,795	17,704
A.2 Financial derivatives on equity instruments and equity indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	24,611	-	-	24,611
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 12/2022	**26,635**	**5,885**	**9,795**	**42,315**
Total at 12/2021	**17,195**	**6,857**	**10,990**	**35,042**

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

The institution does not have any trading derivatives or hedging derivatives subject to offsetting with respect to IAS 32, paragraph 42.

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", currently being updated, 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 Recovery Plan (CFRP) 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.

The management 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 CRR2 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 disclosure procedures to include the ALMM report, prepared once a quarter.

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).

During the second half of 2022, data from the internal structural liquidity model demonstrated the Bank's satisfactory liquidity position, also confirmed by the regulatory ratios.

At 31 December 2022, the top 15 customers (excluding banks) accounted for roughly 12.3% of the direct funding (calculated using carrying amounts).

Impacts from the Covid-19 pandemic and the Russia/Ukraine conflict

During the second half of 2022 no significant impacts on liquidity indicators were seen from the Covid-19 pandemic.

Similarly, deterioration of the international economic/political situation due to the Russia/Ukraine war had no severe impacts on the Bank's liquidity situation.

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	**173,012**	**2,318**	**35,723**	**27,040**	**59,540**	**120,583**	**180,106**	**1,037,856**	**981,052**	**17,658**
A.1 Government bonds	-	-	31,221	-	2,326	27,651	52,601	547,560	634,704	-
A.2 Other debt instruments	-	-	118	616	3,791	7,878	9,803	60,275	17,039	-
A.3 OEIC units	8,645	-	-	-	-	-	-	-	-	-
A.4 Financing	164,367	2,318	4,384	26,424	53,423	85,054	117,702	430,021	329,309	17,658
- Banks	*3,344*	-	-	-	-	-	-	-	-	*17,658*
- Customers	*161,023*	*2,318*	*4,384*	*26,424*	*53,423*	*85,054*	*117,702*	*430,021*	*329,309*	-
Liabilities	**1,873,949**	**206**	**1,694**	**1,269**	**4,534**	**99,482**	**15,049**	**404,065**	**74,728**	**-**
B.1 Deposits and current accounts	1,870,989	143	132	513	2,552	3,380	14	346	-	-
- Banks	*1,797*	-	-	-	-	-	-	-	-	-
- Customers	*1,869,192*	*143*	*132*	*513*	*2,552*	*3,380*	*14*	*346*	-	-
B.2 Debt instruments	1,115	63	1,559	756	1,751	3,451	11,980	17,081	-	-
B3 Other liabilities	1,845	-	3	-	231	92,651	3,055	386,638	74,728	-
Off-statement of financial position transactions	**20,929**	**11,223**	**1,750**	**9,459**	**13,156**	**786**	**3,112**	**1,013**	**19,535**	**-**
C.1 Financial derivatives with exchange of capital	-	11,223	1,750	9,459	13,156	786	3,112	1,000	6,065	-
- Long positions	-	*2,998*	*1,375*	*8,724*	*6,578*	-	*231*	*1,000*	*6,065*	-
- Short positions	-	*8,225*	*375*	*735*	*6,578*	*786*	*2,881*	-	-	-
C.2 Financial derivatives without exchange of capital	**2,098**	-	-	-	-	-	-	-	-	-
- Long positions	*2,029*	-	-	-	-	-	-	-	-	-
- Short positions	*69*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**13,483**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**13,470**	**-**
- Long positions	-	-	-	-	-	-	-	*13*	*13,470*	-
- Short positions	*13,483*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	5,348	-	-	-	-	-	-	-	-	-
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:
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;
2022: one position for a total of € 100 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	**4,264**	**-**	**-**	**46**	**213**	**2,413**	**107**	**6,480**	**3,778**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	40	123	2,413	107	6,480	3,778	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	4,264	-	-	6	90	-	-	-	-	-
- Banks	*4,264*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	*6*	*90*	-	-	-	-	-
Liabilities	**3,937**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	3,741	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*3,741*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B3 Other liabilities	196	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**500**	**3,673**	**750**	**9,459**	**13,156**	**3,134**	**462**	**703**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	3,673	750	9,459	13,156	3,134	462	703	-	-
- Long positions	-	*2,644*	*375*	*735*	*6,578*	*786*	*231*	*703*	-	-
- Short positions	-	*1,029*	*375*	*8,724*	*6,578*	*2,348*	*231*	-	-	-
C.2 Financial derivatives without exchange of capital	**500**	-	-	-	-	-	-	-	-	-
- Long positions	*463*	-	-	-	-	-	-	-	-	-
- Short positions	*37*	-	-	-	-	-	-	-	-	-
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 for the relevant indicator for the last three years) to measure its capital requirements to cover operational risk.

The capital requirement with respect to operating risk, calculated using the relevant indicator for 2020-2022, is € 10.7 million.

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 Compliance Unit measures operating risk with respect to the areas assessed and in terms of compliance with regulations
- 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;
- emergencies linked to cyber security in its IT systems.

Impact arising from the COVID-19 pandemic

Again in 2022, in the light of the continued pandemic, the Bank paid special attention to monitoring operating and IT risks due to adjustment of management practices, application measures and technology, with the aim of guaranteeing operational continuity and protecting the health and security of its customers and employees. The main goal was to ensure conditions allowed appropriate security standards to be maintained, with corporate IT systems able to handle more intensive use of remote banking services and remote work methods, to favour social distancing and reduce contagion risks.

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. Quantification of this risk is recognised in the provision for risks and charges.

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. Quantification of the risk of bankruptcy revocations is recognised in the provision for risks and charges.

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.

In any case, the number of proceedings commenced against the institution for the acquisition of securities by customers (mostly Argentine and Parmalat bonds) is very modest compared to the number of transactions performed at the time.

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 2022 are listed below:

- Common Equity Tier 1 Ratio (CET1R) 9.300%
- TIER1R 11.100%
- Total capital ratio (TCR) 13.500%

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 31/12/2017. 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	Amount at 31/12/2022	Amount at 31/12/2021
1. Share capital	**39,241**	**39,241**
2. Share premium	**34,660**	**34,660**
3. Reserves	**86,336**	**77,391**
- income-related	80,206	71,261
a) legal reserve	*21,568*	*20,066*
b) statutory reserve	*71,903*	*64,460*
c) treasury shares	-	-
d) other	- *13,265*	- *13,265*
- other	6,130	6,130
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves	**- 22,419**	**15,520**
- Equity instruments at fair value through other comprehensive income	128	- 238
- Hedges of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	- 35,985	3,596
- 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	- 1,684	- 2,960
- Portion of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	15,122	15,122
7. Profit for the year	**24,565**	**15,023**
Total	**162,383**	**181,835**

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	Total at 12/2022		Total at 12/2021	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	179	36,164	3,596	-
2. Equity instruments	318	191	91	329
3. OEIC units	-	-	-	-
4. Financing	-	-	-	-
Total	**497**	**36,355**	**3,687**	**329**

B.3 Fair value reserve: changes

Tax base / Amount	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**3,596**	**- 239**	**-**	**-**
2. Increases	**19,493**	**652**	**-**	**-**
2.1 Fair value gains	-	652	-	-
2.2 Impairment losses for credit risk	-	-	-	-
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	19,493	-	-	-
3. Decreases	**59,074**	**286**	**-**	**-**
3.1 Fair value losses	56,130	-	-	-
3.2 Impairment gains for credit risk	1	8	-	-
3.3 Reclassification of fair value gains to profit or loss	2,943	-	-	-
3.4 Transfers to other equity reserves (equity instruments)	-	-	-	-
3.5Other increases	-	278	-	-
4. Closing balance	**- 35,985**	**127**	**-**	**-**

B.4 Actuarial reserves: changes

	Fip (pension fund)	Post-employment benefits
1. Opening balance	**- 1,754**	**- 1,206**
2. Increases	**1,505**	**255**
2.1 Actuarial gains	1,505	255
2.2 Change in deferred tax assets	-	-
3. Decreases	**414**	**70**
3.1 Actuarial losses	-	-
3.2 Change in deferred tax liabilities	414	70
4. Total	**- 663**	**- 1,021**

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 2022 impairment losses on loans and receivables by 25%;
- 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 31/12/2022	
	fully loaded	phased in
A. CET1 prior to application of prudential filters (excluding impact of IFRS 9)	170,574,218	170,574,218
A1. Impact of IFRS 9	- 10,470,478	- 10,470,478
B. CET1 prudential filters (+/-)	- 1,087,210	- 1,087,210
C. CET1 including the elements to be deducted and the effects of the transitional regime (A +/- B)	159,016,530	159,016,530
D. Elements to be deducted from CET1	7,591,210	5,750,811
D1. Elements to deduct from CET1 - intangible assets	149,509	149,509
D2. Elements to deduct from CET1 - offset DTA exceeding 10% threshold	7,440,647	5,600,248
D3. Elements to deduct from CET1 - other	1,054	1,054
E. Transitional regime - Impact on CET1 (+/-)	-	18,403,992
E1. Transitional regime – Impact on CET1 (+/-) - quick fix	-	15,786,373
E2. Transitional regime – Impact on CET1 (+/-) - IFRS9	-	2,617,619
F. Total CET1 (C– D +/-E)	151,425,320	171,669,711
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)	151,425,320	171,669,711
C.1 Risk-weighted assets	922,849,123	930,407,147
C.2 CET1/risk-weighted assets (CET1 ratio)	16.41%	18.45%

The above table indicates CET1 at 31/12/2022, considering the transitional regime Phased In in line with article 473/bis of the CRR (first time application of IFRS 9) and application of article

468 of Regulation EU 575/2013, as amended by Regulation EU 202/873 of 20/06/2020 ("Quick Fix") (temporary treatment of unrealised profit and loss measured at fair value in other comprehensive income in the light of the Covid-19 pandemic"), compared with the fully loaded approach.

B. Quantitative disclosure

Tax base / Amount	Total at 12/2022	Total at 12/2021
A. Common Equity Tier 1 (CET1) before application of prudential filters	**160,104**	**175,757**
including CET1 instruments covered by the transitional measures	-	-
B. CET1 prudential filters (+/-)	**- 1,087**	**- 1,046**
C. CET1 including the elements to be deducted and the effects of the transitional regime (A +/- B)	**159,017**	**174,711**
D. Elements to be deducted from CET1	**- 5,751**	**- 131**
E. Transitional regime - Impact on CET1 (+/-)	**18,404**	**5,235**
E.2 Phased-in effect of IFRS 9 (article 473-bis of CRR)	**-**	**-**
F. Total CET1 (C– D +/-E+/-E.2)	**171,670**	**179,815**
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)	**171,670**	**179,815**

Own funds include the portion of the profit for the year destined for the reserves equal to € 22,286 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 18.45%, a Tier 1 ratio of 18.45 and a Total capital ratio of 18.45% at 31/12/2022, 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 € 74.4 million refer to credit, operational and market risks. The lending business requires the largest portion of capital, with credit risk requirements of € 54.7 million.

Credit risk-weighted assets amount to € 930.4 million. There has been an increase in such assets for market risks.

B. Quantitative disclosure

Category/Amount	Unweighted amounts		Weighted amounts/requirements	
	Total at 12/2022	Total at 12/2021	Total at 12/2022	Total at 12/2021
A. EXPOSURES				
A.1 Credit and counterparty risk	**2,580,111**	**2,847,840**	**683,780**	**668,881**
1. Standard method	2,580,111	2,847,840	683,780	668,881
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**54,702**	**54,174**
B.2 Risk of adjustments to credit rating			**782**	**270**
B.3 Regulation risk			**-**	**-**
B.4 Market risk			**8,217**	**8,895**
1. Standard method			8,217	8,895
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**10,732**	**9,762**
1. Basic method			10,732	9,762
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**74,433**	**73,101**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**930,413**	**913,763**
C.2 CET1/risk-weighted assets (CET1 ratio)			**18.45%**	**19.68%**
C.3 Tier 1/risk-weighted assets (Tier 1 ratio)			**18.45%**	**19.68%**
C.4 Total own funds/risk-weighted assets (Total capital ratio)			**18.45%**	**19.68%**

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 companies 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	Amount at 31/12/2022
C. Managers	**570,166**
Short-term benefits	535,291
Current termination benefits	34,875
Total termination benefits	*254,125*
A. Directors	**266,185**
Remuneration	266,185
B. Statutory auditors	**132,139**
Remuneration	132,139

(values expressed in Euros)

The short-term benefits of € 535,291 include salaries and indirect costs relating to two managers.

"Total termination benefits" for € 254,125 includes the costs post-employment benefits accrued in favour of the two managers mentioned above.

"Fees" relating to directors (€ 266 thousand) and statutory auditors (€ 132 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	28	768	6	7	80
B. Statutory auditors	-	354	-	1	20
C. Managers	-	167	1	5	50
D. Family members	137	399	4	23	172
E. Other related parties	6,271	1,778	12	174	893
Total	**6,436**	**3,466**	**23**	**210**	**1,215**

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 2022.

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) Interbank rates are quite low;

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 ON THE ASSETS IN THE BALANCE SHEET

SECTION 2 – FINANCIAL ASSETS MEASURED 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

11.2 Other information

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES AT AMORTISED COST
1.4 Breakdown of subordinated securities/financial liabilities
1.5 Breakdown of structured financial liabilities
1.6 Finance lease liabilities
SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING
2.2 Breakdown of "Financial liabilities held for trading": subordinated
2.3 Breakdown of "Financial liabilities held for trading": structured
SECTION 3 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE
3.1 Financial liabilities designated at fair value: breakdown by product
3.2 Breakdown of "Financial liabilities designated at fair value": subordinated
SECTION 4 - HEDGING DERIVATIVES
4.1 Hedging derivatives: breakdown by type and level
4.2 Hedging derivatives: breakdown by hedged item and type
SECTION 5 - MACRO-HEDGING ADJUSTMENTS TO FINANCIAL LIABILITIES
5.1 Macro-hedging adjustments to hedged financial liabilities: breakdown
SECTION 7 - LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE
SECTION 10 - PROVISIONS FOR RISKS AND CHARGES
10.4 Provisions for other commitments and other guarantees given
10.6 Provisions for risks and charges - other provisions
SECTION 11 - REDEEMABLE SHARES
11.1 Redeemable shares: breakdown
SECTION 12 - EQUITY
12.3 Equity - Other information
12.5 Equity instruments: breakdown and changes
12.6 Other information

OTHER INFORMATION

4. Operating leases
6. Offset financial assets or assets subject to master netting agreements or similar agreements
7. Offset financial liabilities or liabilities subject to master netting agreements or similar agreements
8. Securities lending transactions
9. Jointly controlled operations

PART C - NOTES TO THE INCOME STATEMENT

SECTION 1 – INTEREST
1.2 Interest and similar income: other information

1.2.2 Interest income on finance leases

1.4 Interest and similar expense: other information

1.4.2 Interest expense on finance leases

1.5 Differences on hedging transactions

SECTION 5 - NET HEDGING INCOME (EXPENSE)

5.1 Net hedging income (expense): breakdown

SECTION 6 – GAIN (LOSS) FROM SALES/REPURCHASES

6.1 Gain (loss) from sales/repurchases: breakdown

SECTION 7 - NET GAIN (LOSS) ON OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

7.1 Net gain (loss) on other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets designated at fair value

SECTION 8 – NET IMPAIRMENT GAINS (LOSSES) FOR CREDIT RISK

8.2a Net impairment losses for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

SECTION 11 - NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

11.2 Net accruals to provisions for other commitments and other guarantees given: breakdown

SECTION 15 - GAINS (LOSSES) ON EQUITY INVESTMENTS

15.1 Gains (losses) on equity investments: breakdown

SECTION 16 - FAIR VALUE GAINS (LOSSES) ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

16.1 Net fair value (or deemed cost) or estimated realisation value gains (losses) on property, equipment and investment property and intangible assets: breakdown

SECTION 17 – IMPAIRMENT LOSSES ON GOODWILL

17.1 Impairment losses on goodwill: breakdown

SECTION 20 - POST-TAX PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

20.1 Post-tax profit (loss) from discontinued operations: breakdown

20.2 Breakdown of income taxes relating to discontinued operations

SECTION 21 - OTHER INFORMATION

SECTION 22 – EARNINGS PER SHARE

22.2 Other information

PART E - RISKS AND RELATED HEDGING POLICIES

SECTION 1 - CREDIT RISK

Quantitative disclosure

A. CREDIT QUALITY

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.1 On- and off-statement of financial position guaranteed exposures with banks

C. SECURITISATIONS

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 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

B. Cash flow hedges

C. Hedges of investments in foreign operations

D. Hedging instruments

E. Hedged items

Quantitative disclosure

A. Hedging financial derivatives

A.1 Hedging financial derivatives: reporting date notional amounts

A.2 Hedging financial derivatives: gross positive and negative fair value - breakdown by product

A.3 OTC hedging financial derivatives - notional amounts, gross positive and negative fair value by counterparty

A.4 Residual life of OTC hedging financial derivatives: notional amounts

B. Hedging credit derivatives

B.1 Hedging credit derivatives: reporting date notional amounts

B.2 Hedging credit derivatives: gross positive and negative fair value - breakdown by product

B.3 OTC hedging credit derivatives - notional amounts, gross positive and negative fair value by counterparty

B.4 Residual life of OTC hedging credit derivatives: notional amounts

C. Non-derivative hedges

C.1 Non-derivative hedges: breakdown by portfolio and type of hedge

D. Hedged items

D.1 Fair value hedges

D.2 Cash flow hedges and hedges of investments in foreign operations

E. Hedging gains or losses recognised in equity

E.1 Reconciliation of equity items

SECTION 5 - OPERATIONAL RISK

Quantitative disclosure

PART G - BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CARRIED OUT DURING THE YEAR

SECTION 2 - TRANSACTIONS CARRIED OUT AFTER THE REPORTING DATE

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

PART I - SHARE-BASED PAYMENTS

Qualitative disclosure

1. Share-based payment plans

Quantitative disclosure

1. Changes
2. Other information

PART L – SEGMENT REPORTING

PART M – LEASE REPORTING

SECTION 1 – LESSEE

Quantitative disclosure

SECTION 2 – LESSOR

Qualitative disclosure

Quantitative disclosure

1. Notes to the balance sheet 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	152,402.32
Fermo Campoleggio Corso Marconi, 19	103,291.38	274,755.07	42,865.92	432,750.15	43,275.02	389,475.13	20,010.06
Fermo Campoleggio - ampliamento Corso Marconi, 19	-	-	1,549.37	19,039.38	1,903.94	17,135.44	97.66
Carassai Piazza Leopardi 8/9	25,822.84	24,273.47	11,362.05	66,563.76	8,653.29	57,910.47	2,170.19
Cupramarittima Via E. Ruzzi, 9	-	211,230.87	47,514.03	436,910.79	-	436,910.79	18,112.09
Grottazzolina Via Verdi, 5	51,645.69	32,020.33	25,306.39	124,894.81	-	124,894.81	4,012.90
Montegranaro P.zza Mazzini	175,595.35	47,867.29	41,501.96	200,509.38	-	200,509.38	6,255.79
Monterubbiano Piazza Calzecchi Onesti, 9	46,481.12	63,007.74	18,592.45	131,741.32	13,174.13	118,567.19	5,140.75
Monte San Pietrangeli Via S. Antonio, 6	-	64,040.66	4,131.66	140,636.48	-	140,636.48	9,844.64
Montottone Piazza Leopardi, 8	37,184.90	29,954.50	14,977.25	85,204.37	10,224.52	74,979.85	2,767.74
Monturano Via Gramsci, 32/A	232,405.60	583,079.84	129,114.22	1,058,503.84	158,775.58	899,728.26	42,375.48
Petritoli Via Mannocchi Tornabuoni, 25	28,405.13	88,314.13	12,911.42	135,285.44	13,528.54	121,756.90	6,377.24
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	12,174.26
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	15,704.37
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	35,630.55
Porto S. Giorgio - sede Via Annibal Caro, 11	-	2,471,246.26	73,853.34	5,703,013.66	1,140,602.74	4,562,410.92	178,576.24
S.Elpidio a Mare Via Roma, 31	129,114.22	523,170.84	65,590.03	764,747.17	-	764,747.17	41,213.17
S.Elpidio a Mare ampliamento 1981 Via Roma, 31	-	-	34,602.61	127,207.59	-	127,207.59	2,422.15
S.Elpidio a Mare ampliamento 1983 Via Roma, 31	-	-	33,569.70	139,393.78	-	139,393.78	2,349.90
Fermo P.zza Mascagni, 4	154,937.07	211,747.33	66,106.48	455,484.95	-	455,484.95	19,449.86
Fermo - P.zza Mascagni ampliamento 1984	-	-	5,164.57	25,169.18	-	25,169.18	361.46
Fermo Via Ognissanti	-	11,878.51	4,648.11	29,035.21	3,484.22	25,550.99	1,018.08
Fermo Corso Cavour, 104	-	1,066,999.95	217,428.35	2,647,791.16	264,779.13	2,383,012.03	80,918.88
S.Elpidio a mare - Casette d'Ete C. Garibaldi, 3	-	203,484.02	83,149.56	678,504.31	33,925.22	644,579.09	19,061.23
Fermo V.le Trento, 182	-	3,083,247.69	601,672.29	7,454,739.36	1,490,947.88	5,963,791.48	206,355.67
S.Benedetto del Tronto Via Liberazione, 190	-	820,650.01	211,230.87	2,356,260.19	164,938.21	2,191,321.98	67,175.38

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	29,355.41
Porto S. Elpidio - Faleriense Piazza Giovanni XXIII, 14	232,405.60	108,455.95	-	419,019.11	-	419,019.11	226,434.39
Fermo area di V.le 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	190,847.71
Montegranaro Via Gramsci	-	-	-	465,720.02	-	465,720.02	137,387.42
Recanati Santacroce 34/E	-	-	-	301,285.46	60,257.09	241,028.37	71,103.41
Roma Via Puglie 15/21	-	-	-	2,932,724.03	-	2,932,724.03	1,305,062.21
Colli del Tronto Via Matteotti, 2	-	-	-	342,295.20	-	342,295.20	154,109.05
Porto S. Elpidio - Ristrutturazione Via S.Giovanni Bosco, 10	-	-	-	497,084.46	99,416.89	397,667.57	176,962.02
Fermo Loc. Molini Girola	-	-	-	30,250.00	6,050.00	24,200.00	12,884.08
Falerone fraz. Piane - Ristrutturazione Viale della Resistenza, 95	-	-	-	111,836.61	-	111,836.61	64,854.03
Montegiorgio - Loc. Piane Via A. Einstein, 8	-	-	-	869,227.16	116,000.00	753,227.16	526,430.51
Fermo Via G. da Palestrina 13/19	-	-	-	418,945.49	-	418,945.49	291,879.37
Fermo Piazza del Popolo, 38	-	-	-	16,400.00	-	16,400.00	11,742.40
San Benedetto del Tronto Via Fiscaletti, 16	-	-	-	918,260.22	-	918,260.22	670,146.28
Recanati Via Villa Musone snc	-	-	-	306,356.00	-	306,356.00	231,206.87
Magliano di Tenna Via Monti Sibillini, 9	-	-	-	272,000.00	-	272,000.00	247,520.00
Montecchio (TR) Via San Rocco snc	-	-	-	299,320.32	-	299,320.32	276,781.50
TOTAL	**2,642,193.48**	**12,901,963.06**	**2,364,525.08**	**39,391,266.47**	**4,222,923.26**	**35,168,343.21**	**6,053,616.84**

List of HTCS equity investments

OTHER FUNCTIONAL INVESTMENTS	Carrying amount at 2021	Changes in 2022			Carrying amount at 12/2022	including: remeasurement of contribution value	including: valuation
		(+) Purchases	(-) Sales/ reimbursements	(+/-) Fair value			
SEDA -Soc.Elaborazione Dati Spa	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BANCA D'ITALIA	10,000,000.00	5,000,000.00	0.00	0.00	15,000,000.00	0.00	0.00
Intesa Sanpaolo spa	91,729.63	0.00	0.00	-7,649.51	84,080.12	0.00	-12,045.46
SIA S.p.A. (former Società Servizi Bancari S.p.A.)	161,770.00	0.00	-22,066.45	-139,703.55	0.00	0.00	-139,703.55
Bancomat SpA	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	0.00	0.00	0.00	0.00	0.00	0.00	-2,582.00
S.W.I.F.T. - Bruxelles	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 SRL	6,250,000.00	0.00	0.00	0.00	6,250,000.00	0.00	-80,000.00
CARICESE Srl	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
Schema Volontario c/o FITD (C.R.CESENA)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Schema Volontario c/o FITD	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Italian Dream Factory S.r.l.	0.00	0.00	0.00	0.00	0.00	0.00	-315,793.00
NEXI S.p.a.	0.00	22,066.46	0.00	651,588.02	673,654.48	0.00	651,588.02
TOTAL AS PER ACCOUNTING RECORDS	**16,653,995.71**	**5,022,066.46**	**-22,066.45**	**504,234.96**	**22,158,230.68**	**0.00**	**101,465.01**

Treasury and cash services

Treasury and cash services.

Treasury services	
Body	**Municipality**
A.A.T.O. 4 Marche Centre-South	Sant'Elpidio a Mare (FM)
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 Giusto	Monte San Giusto (MC)
Municipality of Monte San Pietrangeli	Monte San Pietrangeli (FM)
Municipality of Monsampietro Morico	Monsampietro Morico (FM)
Municipality of Monte Giberto	Monte Giberto (FM)
Municipality of Montefiore dell'Aso	Montefiore dell'Aso (AP)
Municipality of Montegiorgio	Montegiorgio (FM)
Municipality of Montegranaro	Montegranaro (FM)
Municipality of Monteleone	Monteleone di Fermo (FM)
Comune di Montelparo	Montelparo (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, 2022, the income statement, the statement of comprehensive income, the statement of changes in shareholders' 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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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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 the explanatory notes - Part B – Notes to the Balance Sheet as at December 31, 2022, performing loans to customers measured at amortized cost of Cassa di Risparmio di Fermo S.p.A. show a gross amount of Euro 1,152.4 million, reduced by portfolio adjustments of Euro 13.8 million, to come to a net amount of Euro 1,138.6 million, resulting in a coverage ratio of 1.20%. A gross amount of Euro 209.2 million of the above mentioned loans are classified in Stage 2 with a coverage ratio of 4.17%. 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 due consideration the context of macroeconomic uncertainty due to the continued Russia/Ukraine conflict, high inflation driven by increases in commodities and energy prices, and the rapid increase in market interest rates, decided to classify receivables due from energy intensive companies as at December 31, 2022, 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), which took into account also the current geopolitical and macroeconomic scenario, 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, 2022.
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 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;

- 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.

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, 2022, non-performing loans to customers measured at amortized cost of Cassa di Risparmio di Fermo S.p.A. show a gross amount of Euro 101.6 million, reduced by specific adjustments of Euro 63.0 million, resulting in a net amount of Euro 38.6 million. The Directors' report also shows that the coverage ratio of non-performing loans to customers measured at amortized cost as at December 31, 2022 is equal to 62.06%. 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 21.4 million and a coverage ratio of 68.20% and unlikely to pay loans for a net value of Euro 16.8 million and a coverage ratio of 50.49%. 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, 2022.

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 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, 2022, 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, 2022 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, 2022 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 12, 2023

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.