E-MARKET SDIR CERTIFIED

BANCA FINNAT

GRUPPO BANCA FINNAT

FINANCIAL STATEMENTS AT 31 DECEMBER 2021 - 92ND FINANCIAL YEAR

E-MARKET SDIR CERTIFIED

Financial statements at 31 December 2021
92th financial year

Contents

CORPORATE BODIES

Giampietro Nattino

Honorary Chairman and Director (*)

Marco Tofanelli

Chairman

Lupo Rattazzi

Deputy Chairman

Arturo Nattino

Managing Director

Maria Teresa Bianchi

Director

Roberto Cusmai

Director

Vincenzo Marini Marini

Director

Giulia Nattino

Director

Maria Sole Nattino

Director

Paola Pierri

Director

(*) On 14 June 2021, Giampietro Nattino, already Honorary Chairman, was appointed Director to replace Ermanno Boffa, who resigned on 19 May 2021.

BOARD OF STATUTORY AUDITORS

Salvatore Ferri

Chairman

Laura Bellicini

Permanent Auditor

Barbara Fasoli Braccini

Permanent Auditor

Nicola Pironti di Campagna

Alternate Auditor

Monica Petrella

Alternate Auditor

MANAGEMENT

Arturo Nattino

General Manager

Giulio Bastia

Assistant General Manager, Deputy of the General Manager and Financial Reporting Manager

Alberto Alfiero

Deputy General Manager

INDEPENDENT AUDITORS

KPMG S.p.A.

EXTRACT FROM THE NOTICE OF CALL OF THE SHAREHOLDERS' MEETING
(pursuant to Art. 125-bis, paragraph 1, of Italian Legislative Decree no. 58/1998)

The Shareholders of Banca Finnat Euramerica S.p.A. are called to an Ordinary Shareholders' Meeting at the registered office in Rome - Palazzo Altieri - Piazza del Gesù, 49 - on 28 April 2022 at 10.00 in single call, to discuss and resolve on the following:

AGENDA

1. Financial statements closed at 31 December 2021 accompanied by the relative reports of the Board of Directors, the Board of Statutory Auditors and the Company in charge of the statutory audit. Presentation of the consolidated financial statements at 31 December 2021. Inherent and consequent resolutions.
   - 1.1. Approval of the Financial Statements for the year;
   - 1.2. Resolutions regarding the allocation of the result for the year.
2. Appointment of a Director for the completion of the Board of Directors. Inherent and consequent resolutions.
3. Report on the remuneration policy and on the remuneration paid pursuant to Art. 123-ter of Italian Legislative Decree no. 58/98 and 84-quater of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, including information on the remuneration policies in favour of Directors, Employees and Collaborators not linked by subordinate employment. Inherent and consequent resolutions.
   - 3.1. Binding resolution on the first section of the report regarding the remuneration policy, prepared pursuant to Art. 123-ter, paragraph 3 of Italian Legislative Decree no. 58/1998.
   - 3.2. Non-binding resolution on the second section of the report on the subject of remuneration paid, prepared pursuant to Art. 123-ter, paragraph 4 of Italian Legislative Decree no. 58/1998.

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It should be noted that the date and/or the place and/or the intervention and/or the voting and/or conduct of the Shareholders' Meeting indicated in the notice of call remain subject to compatibility with current legislation and/or the provisions issued by the competent Authorities due to the Covid-19 health emergency, as well as the fundamental principles for the protection of the health of company's shareholders, employees, representatives, and consultants. Any changes will be promptly disclosed in the same manner provided for the publication of the notice and/or in any case through the information channels provided for by the legislation in force from time to time.

In consideration of the Covid-19 health emergency and having regard to the provisions contained in Art. 106, paragraph 4, of Italian Law Decree no. 18 of 17 March 2020, converted with amendments by Italian Law no. 27 of 24 April 2020, as most recently extended by Art. 3, paragraph 1, of Italian Law Decree no. 228 of 30 December 2021, converted by Italian Law no. 15 of 25 February 2022, participation in the meeting and the exercise of the right to vote take place exclusively by granting a specific proxy to the Designated Representative.

Information regarding:

- participation in the Shareholders' Meeting (it should be noted in this regard that the Record Date is 19 April 2022);
- attendance at the Shareholders' Meeting and exercise of the right to vote, exclusively through the Designated Representative;
- exercising the right to ask questions on the items on the agenda;

- exercising the right to add to the agenda and to submit new resolution proposals as well as the right to individually submit resolution proposals;
- the appointment of a Director for the completion of the Board of Directors;
- the availability of reports on the items on the agenda and of the documentation relating to the Shareholders' Meeting;
- the share capital;

are reported in the full in the notice of call available on the Company's website www.bancafinnat.it (section "Investor Relations/Regulated information/Notices to shareholders") and in the authorised storage mechanism eMarket STORAGE (on the website www.emarketstorage .com).

Rome, 29 March 2022
The Chairman of the Board of Directors
(Mr. Marco Tofanelli)

FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.P.A. AT 31 DECEMBER 2021

2021

DIRECTORS' REPORT ON OPERATIONS AND DRAFT RESOLUTIONS FOR THE SHAREHOLDERS' MEETING OF BANCA FINNAT EURAMERICA S.P.A.

Dear Shareholders,

Before presenting the report on operations for the 2021 financial year, we consider it useful to set out several brief considerations on the domestic and international macroeconomic scenario, on the financial markets and on the real estate market in 2021.

Domestic and international macroeconomic scenario

After a 2020 characterised, due to the Covid-19 pandemic, by an unprecedented decline in the global economy, 2021 recorded equally spectacular recoveries (+5.5% in terms of global GDP growth supported by growth exceeding 12% in international trade in the first eight months of the year) not only in the wake of the vaccination campaigns implemented in the more advanced countries but, above all, by virtue of the unprecedented fiscal and monetary support measures offered by Governments and Central Banks (in Italy, for example, taking advantage of the moratorium which, due to the pandemic, affected the parameters of the Stability Pact, the deficit/GDP ratio was subject to a "temporary" expansion of up to 12%). In addition to being particularly significant, in many cases the economic recovery also exceeded the initial forecasts that had already been optimistically formulated at the beginning of the year; thus the eurozone economy closed 2021 with a growth of 5.2% (from the 4.5% initially estimated and after the contraction of 6.4% suffered at the end of 2020); France recorded a 7% recovery (from 5.5% growth initially estimated and after the 7.9% contraction suffered at the end of 2020) while the growth of the Italian economy stood at 6.3% from the 5% initially estimated and compared to the 8.9% contraction suffered in the final balance of 2020. The Italian economic rebound has also benefited from a new national government, characterised by wide international prestige, as well as from the positive expectations generated by the resources made available by the European Commission as part of the "Next Generation EU" program and which found its driving force in the National Recovery and Resilience Plan. Conversely, affected by the greater maturity of its economic cycle and the expectations of a more imminent "normalisation" of its monetary policy, the US economy experienced a considerably lower actual growth compared to the 6.5/7% increase that had been forecast at the beginning of the year, even though growing by 5.6% compared to the 3.4% contraction recorded in 2020. The German economy also experienced a contraction in the GDP growth rates initially forecast, with an economic growth of 2.7% compared to the 4/4.5% initially anticipated and after the contraction of 4.6% suffered overall in 2020. This reduced economic growth, compared to expectations, was the result not only of the bottlenecks appearing in the international supply channels (a circumstance that affected the entire German industry in a particularly significant way) but also of the unexpected fragility that characterised, during the course of the year, the Chinese economy (hugely penalising German exports) whose official annual growth was 8.1% but whose quarterly dynamics went from sustained growth of 18.3% in the first quarter of 2021 to 4% at the end of the fourth quarter. Also and above all weighing on the Chinese economy was the crisis in the real estate sector, which affects almost a third of the gross domestic product, triggered by the financial failure of the Evergrande real estate group which found itself burdened by over 360 million dollars of debt for default on the payment of maturing coupons relating to 8 bonds issued on international markets. Evergrande's default then inevitably affected the entire real estate sector, involving other operators; the new urbanisation/housing market dropped 20% and the Chinese Central Bank invited commercial banks to finance mergers and acquisitions between property groups in crisis. However, a particularly significant factor for the year just ended is to be identified in the inflationary pressures that have progressively come to bear on the most advanced economies due to the bottlenecks that occurred in the international supply channels, of the unsustainable costs of sea freight (increased up to 10-fold in one year), as well as the sharp increase experienced in the prices of many raw materials and primarily affecting energy products such as oil, natural gas and electricity (with oil increasing by almost 60% over the year, natural gas at the ICE in London increased by up to 600% and the price of wholesale electricity, per megawatt hour, in the eurozone, increased by 400%). Thus the American economy experienced an annual growth in production prices which at the end of the year was close to 10% (from annual trend rates of 1.7% at the beginning of 2021), consumer prices rising by an annual rate of 7% (from increases limited to 1.4% at the beginning of the year) and "core" prices (net of the more volatile components such as energy and food) up by 5.5% (1.4% at the beginning of the year); in the eurozone, production prices have undergone annual increases that have almost reached 24% (from annual increases limited to 0.4% at the beginning of the year), with consumer prices increasing annually by 5% (from 0.9% at the beginning of the year) while in Germany import prices are experiencing annual increases of close to 25%, with production prices growing annually by close to 20% (from growth rates of 0.9% in January 2021) and consumer prices increasing by 5.3% from 1% increases at the beginning of the year. In Italy, at the end of 2021, production prices recorded annual growth rates of 27% (from decreases of 0.4% per year again in January 2021), with consumer prices increasing by almost 4% (from tend rates of 0.4% at the beginning of 2021) and an energy component that is increasing annually by about 30%. These inflationary pressures, unexpected in their magnitude and apparently more structural and potentially longer lasting than hoped for by the Central Banks, which for a long time thought these pressures to be transient, led the Central Banks themselves, in December, to amend in a more restrictive sense their monetary policy approaches (for some time characterised by zero reference rates). The Bank of England brought policy rates to 0.25 from 0.10; the Federal Reserve decided to suspend its Quantitative Easing program in March 2022, with the intention, already communicated to the market, of proceeding with at least three rises in official rates during 2022 and another three in 2023; while maintaining for the moment the reference rate at zero, the marginal loan rate at 0.25% and the deposit rate negative by 0.5%, the European Central Bank decided to conclude the pandemic purchase program (Pandemic Emergency Purchase Program) in March 2022, while the purchases of securities under the "ordinary" APP (Asset Purchase Program) are anticipated to end on the eve of the first rate rise that presumably could occur during the first half of 2023. Reinvestments in maturing securities, on the other hand, will continue until December 2024 for the PEPP program and until after the first rate increase (presumably during the first half of 2023) for the APP program. At the end of the second year of Covid-19, 6 million deaths were recorded and 160 million people fell into absolute poverty. The pandemic has been a tremendous test bed for the prevailing economic setting that sees the market as the only beacon for creating opportunities. Thankfully, it was understood that the crisis could not be averted without state intervention and, in the United States and Europe, public aid has buffered the damage, at least from an economic point of view. Where public aid was not possible, or it was chosen not to activate it, consequences have been disastrous in terms of increased inequality.

Financial markets

In this context of strong economic recovery, equity markets offered extremely positive returns, with the MSCI World Index growing by 22.4%. The American markets allowed capital gains of 18.7% on average for investments on the Dow Jones index, 26.9% on the S&P 500 index and 21.4% on the Nasdaq technology index. In the eurozone, the Paris stock exchange (CAC 40 index) grew by 28.1%, prices on the German stock market (DAX) increased, on average, by 15.8% while the Madrid stock exchange (Ibex 35) offered a limited return of 6.9%. The index representing the largest capitalisations in the eurozone (Eurostoxx 50) grew by 21% and the best sectors, during the year, were banking (+36.2%), technology (+37.8%), the media sector (+30.4%) and the automotive sector (+25.1%). In terms of individual stocks, the best performances within the Eurostoxx 50 index were achieved by ASML Holding (+77.8%) and Hermes International (+74.6%) while the worst performances were offered by Philips (-25.2%) and Prosus (-16.8%). Outside the euro area, the UK stock exchange (FTSE 100) offered a return of 14.3% while the Zurich stock exchange grew by 20.3%. In the Asian area, the Japanese Nikkei 225 index offered a limited return of 4.9% while the Chinese markets were negative with the Hong Kong Hang Seng index down 14.1% and the Shanghai index/Shenzhen CSI 300 down by 5.2% on the year. With regard to the Italian market, the FTSE MIB index grew by 23%, the index relating to the STAR segment by 44.7%, while the Italia Growth index (formerly AIM) recorded an increase of 57.7%. The best sectors were banking (+36%) and insurance (+30.6%) while utilities suffered (-6.7%). During 2021, 49 IPOs were carried out on our domestic market (22 in 2020), 5 on the main MTA market and 44 on the Euronext Growth Milan market, which brought the total number of listed companies to 407 (174 listed on the EGM) for a capitalisation of 757 billion (11.5 billion for the capitalisation of the EGM market), equal to 43% of the Italian GDP and equal to 11% of the capitalisation of the entire Euronext market. Total capital raising on the Italian market amounted to 3.7 billion, of which 2.3 billion relating to initial placements on the stock exchange (837 million capital raised in IPOs on the EGM market) while capital increases in option were 16. There were 21 takeover bids for a value of 7 billion euros.

In the fixed-rate sector, the financial repression policies still pursued by Central Banks have fuelled widely negative real rates of return (many government issues still have negative returns already in nominal rates - French bonds offer negative rates of return for up to 15 years while German securities yields are negative for up to 30 years), an even more penalising circumstance for investors in light of the inflationary pressures underway. The strong economic rebound and the prospects of inevitable and progressive "normalisation" of monetary policies, however, led the market to raise nominal yields on government bonds over the course of the year, across the entire spectrum, with the German ten-year (Bund) which, at the end of the year, offered a negative yield of 0.18% from an equally negative yield of 0.57% at the end of 2020, while the 10-year US Treasury yielded 1.52% from 0.92% at the end of 2020. The yield of the Italian ten-year BTP, on the secondary market, has constantly fluctuated, during the year, between 0.54% and 1.2%, reaching a minimum of 0.44% at the beginning of February at the time of entry of the Draghi government. In terms of gross rates at issue for Italian paper, the nominal yields of three-year BTPs went from -0.23% to -0.1% from the end of 2020/beginning of 2021 to the end of 2021; the yield on the five-year auctions went from 0.07% to 0.19%; the seven-years auctions went to 0.6% from 0.3%; the ten-year yield increased from 0.65% to 1.02%, while over the thirty-year yields increased from 1.47% to 1.82%. The average charge on Italian government bonds in circulation reached 2.1% at the end of October 2021 (with an average charge in issue on medium/long-term bonds of 0.44%), for a residual average life of outstanding securities exceeding seven years for the first time since 2011.

Among commodities, energy products recorded sustained increases in prices (a circumstance which significantly fuelled the inflationary pressures underway). The price of West Texas Intermediate crude oil on the New York market rose by 58.6% during the year; the price of Brent grade at the ICE in London increased by 53.5%; diesel fuel on New York increased by 61.6%; heating oil by 60.5% while natural gas at the ICE in London recorded, during the year, peak increases of up to 600% to close the year with an increase of 284.3%. Strong price increases also affected industrial metals such as aluminium (+42.4%), copper (+24.8%) and nickel (+23.9%) while the price of steel was limited to an increase in 7.8% and iron ore prices unexpectedly fell by 36.6%. The performance of precious metals was negative, with gold down by 4.3% and the price of silver down by 12.3%. The prices of agricultural commodities also rose strongly, with the price of wheat rising by 22.4%, corn by 23.45% while soybeans remained essentially stable (+1.25%). Among colonial commodities, coffee recorded increases of 78.4%, cotton of 46.4% and sugar of 21.2%.

Regarding currencies, the dollar recorded an average appreciation (over the year) of 7% (best annual performance since 2015). Only the Chinese currency (renminbi) was able to appreciate against the US currency (+2.7%). With reference to the exchange rates against the Euro, this depreciated by 7.4% against the US dollar, by 6.6% against the British pound, by 3.7% against the Swiss franc while it appreciated by 2% against the Japanese yen.

The real estate market in 2021

In 2021, the growth of the Italian economy and greater political stability helped to raise investor confidence in the country. The volume of real estate investments in 2021 reached 10.3 billion euros, up 13% compared to 2020, of which 4.6 billion euros in the last quarter (+52% compared to the same quarter of the previous year). The growth in volumes in the last part of the year is a positive trend that suggests an acceleration of the recovery in the first quarter of 2022.
Logistics closed the year with approximately 2.7 billion euros invested (+88% compared to 2020). The sector continues to experience strong product diversification, with distinct risk profiles for different types of product. Scarcity of land in major markets is leading investors and developers to look to new locations, including Southern Italy.
The Offices sector reached 2.3 billion euros in investments, a sharp decline compared to 2020. Although the performance of the last quarter improved significantly compared to the previous one, the sector was still affected by the effects of the pandemic, especially in relation to office occupancy, as well as the limited availability of core products. Nonetheless, interest in the sector is still very strong. The year 2022, which also includes operations initially scheduled for closing during the year just ended, suggests a strong and rapid recovery in volumes: absorption in Milan has returned to the levels recorded on average in the last five years and is showing positive signs, as also is the Rome market.
The Hotel segment has reached 1.9 billion euros of investments since the beginning of the year, confirming the recovery of the sector (+82% compared to the previous year). Most of the transactions involved value add products, many of them with luxury positioning. 2021 marked the presence, in the investment landscape, of the resort segment, seen before the pandemic as highly risky and today increasingly at the centre of investors' interest. On the other hand, the recovery of business hotels in the main Italian cities is expected to be slower.
The Retail sector, with 1.5 billion euros of investments, is still contracting: about 70% of the total investments concerned the High Street segment in the main cities. During the year, the transactions involving the "out of town" sector were limited and mostly restricted to small properties in secondary locations. There is growing interest in quality Retail Parks by investors with a medium-long term vision.
The Alternatives sector is growing: the total recorded at the end of the year is equal to 1.2 billion euros; the Healthcare segment weighed heavily on the total through numerous RSA transactions and portfolio sale & lease-back transactions.
The investment volumes recorded for the Residential sector reached a total of 700 million euros, an increase compared to 2020, marking another record year. Investments were mainly concentrated in Milan, but Rome and secondary cities, such as Florence and Bologna, are confirmed as attractive venues.
The Student Housing segment recorded numerous transactions in the main Italian cities. The market is expected to achieve an increasingly larger proportion of total investments and will probably see a first consolidation as early as 2023. Considering the transactions scheduled for closing, 2022 could bring the sector for the first time close to one billion euros of investments.

Dear Shareholders,

we submit for your evaluation and approval the separate financial statements closed at 31 December 2021 which show a net profit of 5,679 thousand euros, 98 thousand euros higher than that of the previous year which was equal to 5,581 thousand euros.
From the analysis of the result for the year in question, there was a significant increase in net commissions, which partially offset the decrease in the interest margin attributable to the lower contribution deriving from transactions on the proprietary portfolio in repurchase agreements.
With regard to the Covid-19 emergency, it is noted that most of the year 2021 was characterised by a gradual relaxation of the restrictive policies revised and strengthened in December, following the widespread diffusion of a new variant called Omicron. The effects of the pandemic on business activities are outlined in the paragraph "The main transactions and events in the period".

The main items that contributed to forming the results of 2021 are shown below, compared those of the previous year:

Total income was 41,417 thousand euros compared to 44,230 thousand euros in the same period of the previous year. The overall decrease of 2,813 thousand euros consists of the following:

Increases

- 3,735 thousand euros for net commissions (25,448 thousand euros at 31 December 2021 compared to 21,713 thousand euros in the previous year);
- 1,774 thousand euros in Net trading expense. The item at 31 December 2021 shows a positive balance of 1,521 thousand euros against a negative balance of 253 thousand euros in 2020;
- Euro 76 thousand euros in Income on other financial assets mandatorily measured at fair value (loss of 177 thousand euros at 31 December 2021 compared to a similar loss of 253 thousand euros in 2020).

Decreases

- 5,979 thousand euros for net interest income (10,256 thousand euros at 31 December 2021 compared to 16,235 thousand euros in 2020);
- 1,185 thousand euros for Dividends and similar income (4,155 thousand euros at 31 December 2021 compared to 5,340 thousand euros in 2020);
- 1,234 thousand euros in Net gains from disposal of financial assets at amortised cost and financial assets at fair value through other comprehensive income (gains of 214 thousand euros at 31 December 2021 compared to similar gains of 1,448 thousand euros in 2020);

Net impairment losses for credit risk (+/-). The item showed net impairment losses totalling 1,049 thousand euros relating to impairment losses on Financial asset at amortised cost (1,026 thousand euros) and of Financial assets at fair value through other comprehensive income (23 thousand euros).
On the other hand, net impairment losses were recorded on Financial assets at amortised cost of 5,584 thousand euros and value recoveries on Financial assets at fair value through other comprehensive income for 350 thousand euros.
Compared to the previous year, the item shows a decrease of 4,185 thousand euros, mainly attributable to lower analytical adjustments made on non-performing positions while maintaining the coverage rate of non-performing loans unchanged.

Administrative expenses amount to 36,210 thousand euros compared to 34,041 thousand euros in 2020 and are made up as follows:

- personnel expenses, equal to 22,143 thousand euros, are 657 thousand euros higher than the previous year (21,486 thousand euros). The increase is also attributable to the inclusion in the Bank's staff of high-profile elements;

- other administrative expenses of 14,067 thousand euros increased by 1,511 thousand euros compared to the previous year (12,556 thousand euros). Other administrative expenses include recoveries from customers of some costs allocated under Other operating income, net. Net of those recoveries, other administrative expenses amounted to 8,822 thousand euros and increased by 584 thousand euros compared to the previous year (8,238 thousand euros), mainly due to the greater contribution to the Single Resolution Fund.

Net adjustments/write-backs on property, equipment and investment property. The item presents impairment losses equal to 2,264 thousand euros (2,299 thousand euros in 2020) and includes the amortisation quotas of the right of use of assets acquired under leasing for 1,971 thousand euros (1,977 thousand euros in 2020).

Other operating income, net showed a positive balance of 5,038 thousand euros compared to 4,674 thousand euros in 2020. Income includes cost recoveries from customers for 5,245 thousand euros (4,318 thousand euros in 2020).
The item also includes net charges of 647 thousand euros due to settlement agreements (also linked to the acquisition of new customers) and administrative penalties.

Income taxes amount to 1,220 thousand euros (tax rate 17.68%). Last year the item presented a balance of 1,193 thousand euros (tax rate 17.61%).

* * *

The overall results for 2021, which also include the change in "Valuation reserves", are shown in the Statement of Comprehensive Income.

Direct and indirect deposits

The Bank's deposits are made up as follows:

(in thousands of euro)

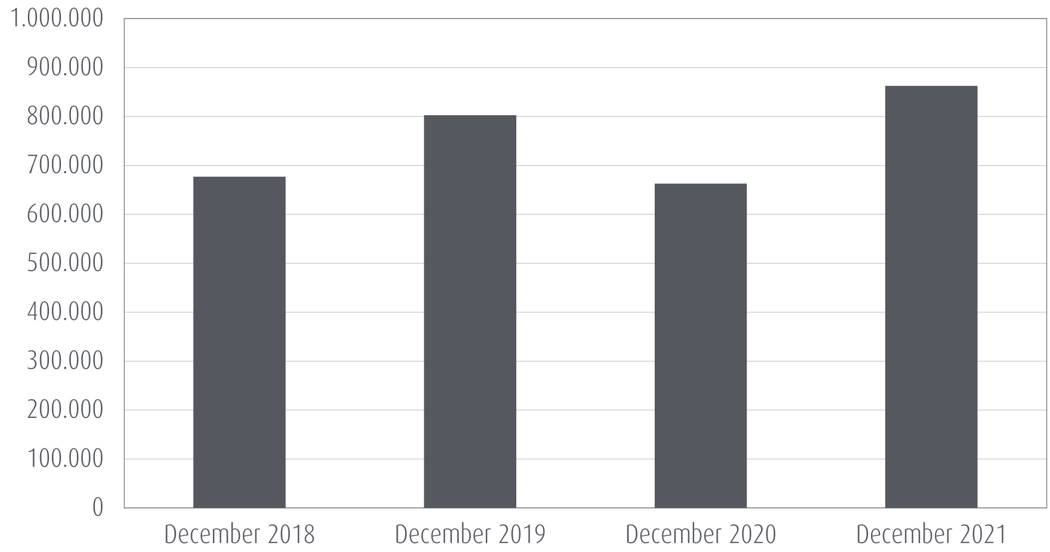
	December 2018	December 2019	December 2020	December 2021
Direct deposits from customers	677,119	802,644	663,025	862,508
- Due to customers (current accounts)	439,262	565,790	478,268	649,618
- Time deposits	209,607	211,941	184,757	212,890
- Securities issued	28,250	24,913	-	-
Indirect deposits	6,152,748	6,441,594	5,528,219	7,629,116
- Individual management	480,921	484,820	516,798	696,647
- Delegated management	278,565	279,479	256,551	316,372
- Deposits under administration (UCIs and securities)	4,544,537	4,539,880	3,524,466	5,202,756
- Deposits under administration under advice (UCIs and securities)	695,044	859,826	921,118	1,045,216
- Third party insurance products	153,681	277,589	309,286	368,125
Total deposits	6,829,867	7,244,238	6,191,244	8,491,624

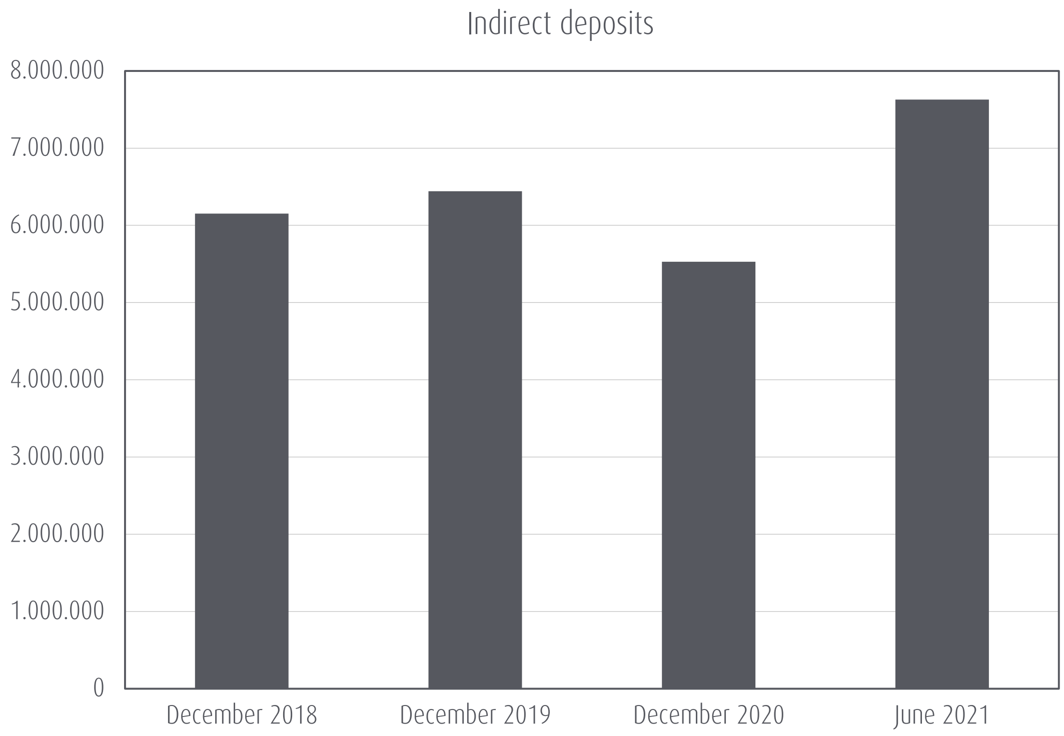
Total assets amounted to 8.5 billion euros, an increase of 37% compared to the end of last year. This increase is attributable in particular to the increase in indirect deposits due in equal measure to both the entry of new assets and the growth of the markets at a global level.

Direct and indirect deposits from customers represented above do not include repurchase agreements with the Compensation and Guarantee Fund as counterparty.

All the assets shown in the prospectus also take into account the amount invested in them and deriving from the other types highlighted.

Direct deposits from customers




Indirect deposits
8.000.000
7.000.000
6.000.000
5.000.000
4.000.000
3.000.000
2.000.000
1.000.000
0
December 2018
December 2019
December 2020
June 2021

The operating offices

The Bank's operating branches are located in Rome, Milan and Novi Ligure.

The head office is in Rome in Piazza del Gesù 49, and the 3 branches are located in Corso Trieste 118, Via Catone 3 (Piazza Risorgimento) and in Via Piemonte 127.

Business segments

Following is an overview of the activities carried out by the Bank and Group companies in 2021:

Commercial Division

2021 was characterised by the continuation of the Covid-19 emergency. Consequently, the work for the year followed innovative paths which nevertheless gave positive results both in economic terms and in improving the service model. The particularly satisfactory economic figures show that the overall approach given to the business has been correct: private banking assets under management have exceeded the 7 billion euros mark, and revenue from private banking services has significantly exceeded the results of the previous year and of the budget targets. The financing activity, not exclusively of the Lombard type, also represented an important component of the services offered, allowing for a complete management of the customers' assets and liabilities.

Training was a defining element of the year. The project defined as a "global equity approach" was a step-by-step process in the analysis of the broad needs of household and of individual HNWI customers. The analysis of needs, governance, family capitalism, the paths of young customers and pension-insurance planning are some of the in-depth topics. Finally, we proceeded with the construction of the family budget and the implementation of the project on customers and prospect targets. The combination in the path of collaboration with professional firms has guaranteed versatility of training and pragmatism of the same, as well as the expansion of networking with mutual satisfaction.

The growth of our services offer was achieved with the launch of the placement of real assets, in particular with FIAs in the field of non-performing loans. Asset management has been updated with the introduction of the multiline offer which reflects the asset allocation macro guidelines, identified from the spring of 2020 and expressed in the investment path defined "Il mondo che verrà" (The world to come). In this way, in concert with their private banker, customers can calibrate their core choices with medium-term satellite choices on issues such as infrastructure, health, technology, small and medium-sized enterprises and other sectors that have been identified as most promising.

Again with regard to the expansion of the service platform and attention to typical wealth management issues, Finnat Fiduciaria has set up an administration service for alternative PIRs which allows the inclusion of unlisted companies and the correct allocation of the tax regime. In this way, our wealth management service fully satisfies the needs of participation in the growth of start-ups and SMEs that are of interest to HNWI customers. Financial planning has always been a crucial activity of our private banking service, carried out in concert with Finnat Fiduciaria, but the significant M&A activity that has characterised the last two years has made the offer of escrow agreements particularly intense, especially in the service of solutions within family assets. In particular, the dynamism of corporate finance transactions made it possible to provide our customers with financing in particular in the phases preceding corporate finance transactions that require significant liquidity support.

The offer of wealth and asset management services has focussed on security, the reduction of volatility, the resolution of family planning issues and creation of high-end pension plans. The multi-branch insurance proposal built with Zurich, with the aim of reducing volatility and at the same time allowing investments consistent with our long-term expectations, was a winner in terms of both volumes and performance. Consistently with the "global equity approach", the possibility of social security choices, increasingly sought after by HNWIs in the context of the ageing process of the Italian population, was enhanced. As part of the asset arrangement, the new agreement with the independent insurance broker First Advisory made it possible to create complex individual management solutions, protecting the customers'

assets and setting the correct long-term asset allocation for each family unit. Insurance products are also a crucial component in managing the most prudent part of asset allocation of customers, and this year we were also able to use the range of class 1 life business products of three insurance companies with excellent standing, despite the gradual disappearance of these insurance financial instruments.
In marketing, we had an active presence through online events, such as economic scenarios and analyses of global public debt, which increased to amounts never seen before, in both absolute and relative terms. The monthly publication of analyses and information on the financial markets and on geopolitical and economic issues continued, through which we attempt to keep our advisory or asset management customers up-to-date on the consistency of our financial tactics with macroeconomic events.

Investment Banking
Also during 2021, investment banking activities continued to be conditioned by the need to find the right balance between the need to safeguard the health of both colleagues and customers and the search for reasonable efficiency in operations. In the various periods of the year, depending on the trend of the pandemic, this exercise involved different levels of recourse to smart workin, with phases characterised by a resumption of physical meetings with customers and counterparties alternating with others in which the meetings were only virtual.
In this context, all the organisational structures have shown great flexibility and an ability to adapt which has allowed, even in a context of objective difficulty, to achieve positive and, in some areas, gratifying results.

Asset Management was characterised by the production of positive returns on all management lines, by a significant growth in deposits on the Bank's products and by important product innovations. With regard to this latter aspect, in fact, in the last part of the year a new product was launched - the Multiline GPMs - offering four different risk/return profiles to customers. The latter - and this is the characterising element of the product - has the ability to actively interact on the assets of its specific portfolio by mixing various asset classes that are part of the offer according to one's own expectations and sensitivities. Naturally, this active involvement of customers in defining the asset allocation is possible within certain limits predefined by the bank, in order to maintain consistency with the customers' own risk profile, and in any case being able to rely on one's own consultant assistance.
As for the performance of the above mentioned management lines, they are positive even if a gap is observed, especially in the riskiest profiles, compared to the benchmarks, also deriving from an approach that, with respect to very positive absolute results (the share lines have achieved around 15%), tends to mitigate the assumption of further risks in order to consolidate the results. Positive, in many case double digit, returns were also recorded on the SICAV segments, with the exception of funds with modest duration which, in a context of negative interest rates, closed the year with modest losses. The result of the AIM Sistema Italia PIR Fund stands out, closing the year with a +56% return and which gave the Bank a certain visibility as it was the third fund overall in 2021 among those marketed in our country, the best fund in the equity asset class in Italy, the best PIR fund among all the existing ones.

Compared to the 2020 financial year, securities brokerage saw a strong growth in both volumes and commissions: the latter mark an increase of about 20%. The increase in the Italian equity sector and related derivatives was particularly significant. Revenue linked to the Desk activity on $CO2$ certificates were stable.
Income from services provided to third-party intermediaries in support of their investment services (or to their customers who use them) continues to grow: it is a niche sector in which the Bank is consolidating its presence with interesting returns not only in terms of negotiation commissions but also for administrative payments and fees.
The expected contraction in revenue deriving from Corporate Broking mandates (Specialist, Coverage, etc.) linked to the entry of new competitors in this sector, has actually occurred, but to a lesser extent than feared. Also thanks to the particular attention and proximity to customers, many issuers have in fact shown that they appreciate the high quality of our service, to the extent that they do not accept alternative proposals, even if more convenient on a strictly economic level.

2021 was an important year for placement operations, not only for the 4 IPOs on the AIM market (Gabetti short Rent, Alfonsino, SIF Italia and - on the PRO segment - Premiafinance) but also for 4 operations involving bond issues, a segment on which activity had been very sporadic in recent years.

With regard to own account assets, a positive contribution was recorded from equity investments (which are however marginal) as well as from investments in the banking book, without prejudice to the traditional prudence that characterises the Bank's investments, mainly concentrated on short-term bonds that in the current negative interest rate scenario represents an asset class on which it is difficult to make returns.
Lastly, compared to the previous year, there was a significant reduction in margins on carry trade transactions carried out by the treasury, which led to a decrease in the net interest income.

Advisory & Corporate Finance
During 2021 the team dedicated to these activities continued developing its operating capacity, capturing the opportunities that arose as part of the scenario of partial general recovery following the problems linked to the Covid-19 epidemic that marked 2020.
In particular, in addition to continuing operations of current assignments, the team has acquired new ones, confirming its proximity to companies for financial consulting activities (with particular regard to capital markets, structured finance and M&A).

The mandates completed include: i) the listings of Premia Finance on the Euronext Growth Milan market, Professional Segment, of G Rent S.p.A. Alfonsino S.p.A. and S.I.F. S.p.A., on the Euronext Growth Milan market with the role of Euronext Growth Advisor and Global Coordinator; ii) a financial assistance assignment to a company active in the e-learning sector, aimed at identifying and illustrating possible financial development tools for the benefit of the company; iii) a financial assistance assignment for a company active in the marketing of tools and hardware aimed at obtaining new short and medium/long-term credit lines; iv) a financial assistance assignment aimed at issuing a subordinated debt instrument listed on the Vienna Stock Exchange by an operator active in the insurance sector listed on Euronext Growth Milan; v) arranger appointments conferred by some selected issuers for the structuring of a bond basket dedicated to companies listed on Euronext Growth Milan; vi) assistance to a company active in the renewable energy sector in order to structure and complete the issue of a debt instrument classified as a sustainable instrument (green bond), listed on the ExtraMot Pro Cube segment and fully subscribed by a leading international financial operator; vii) a financial assistance assignment aimed at issuing a subordinated debt instrument by an operator active in the insurance sector placed in a private placement.

The assignments overseen included: i) financial assistance as a part of an M&A transaction in the packaging sector; ii) financial assistance to an issuer listed on the MTA segment for the purpose of issuing a professional opinion for the Board of Directors, relating to the adequacy of the criteria for determining the issue price of new shares as part of a reserved capital increase; iii) assistance to a primary real estate operator for the preparatory activities for the presentation to the Municipality of Rome of an urban redevelopment project and for finding the necessary financial resources to support it; iv) financial assistance to a company active in the professional electronics sector for the identification of a partner interested in taking an interest in the share capital to support its development; v) financial assistance in the sale process of a company active at international level in the dropshipping/e-commerce sector.

Lastly, during 2021, the ongoing Euronext Growth Advisor activities continued for some companies listed on the AIM market. At 31 December 2021, 20 companies were assisted on the Euronext Growth Milan Market. The activity relating to the listing of SMEs also continued with the acquisition, during the second half of the year, of two mandates for the listing on the Euronext Growth Milan market of two companies active in the food and compound production sectors.

Asset Management - Real Estate Fund Management

InvestiRE SGR is positioned in the market as a leading operator, specialising in the development of real estate portfolios in various market sectors, targeted to domestic and international investors. At 31 December, InvestiRE managed around 7 billion euros of assets through 52 funds (all reserved funds except for one retail fund) and represents over 250 national and international institutional investors, including insurance companies, pension funds, private equity real estate funds and banks.

During 2021, managed assets experienced a net increase of approximately 5% compared to 31 December 2020.

The main investment activities that took place in 2021 concerned:

- the purchase, through contribution, for a value of 181 million euros, of a portfolio of 11 properties, primarily rental properties for residential use, located in Milan, Turin and Rome, from the PRS Italy Fund. That fund, the first of its kind in Italy, was established near the end of the previous year by leading Italian and international investors, and aims to invest in residential portfolios to be developed and held for rental;
- in the "Social Housing" segment, the IBI fund completed the purchase of a complex of three lots located in Reggio Emilia, a complex of residential units located in Molinella (BO) and a package of residential properties located in Rome for a total of 24 million euros; in addition, the FASP, FHCR, FERSH, FHT and Veneto Casa funds completed the acquisition of properties and development operations completed in their respective areas of reference (future purchases) for a total of 46 million euros;
- by means of a contribution, the FIEPP Fund acquired four residential properties in the semi-central areas of Rome, for an equivalent value of approximately 56 million euros; the properties will be subject to subsequent split disposal;
- in the “Distressed” segment, in December, the Securis RE III Fund finalised the contribution of a real estate portfolio for an equivalent value of approximately 14 million euros.
- the purchase, by the Spazio Sanità Fund, of an assisted living facility located in the province of Florence, for a value of around 5 million euros.

The development activities of new projects also continued which made it possible to realise, among other things:

- the establishment of a new real estate fund, with an investment strategy in hotel properties which during the year completed investments for approximately 50 million euros. This is a property located in the central area of Rome, which will be affected by major redevelopment works, for a repositioning in the luxury segment;
- the takeover of the management of a Fund whose assets are entirely invested in an office building located in the central area of Milan for a value of approximately 15 million euros. In relation to which a demolition and reconstruction project is envisaged with a change of intended use of the property to residential and the subsequent transfer through fractional sale;
- the establishment in September of a new real estate fund, with primary foreign investors, whose objective is to complete the purchase of an area in the Municipality of Milan, for the construction of a student residential complex;
- the establishment of a new real estate fund for the management and enhancement of the "distressed assets", to be acquired by participating in judicial and bankruptcy auctions.

Furthermore, after the end of the financial year, 6 new real estate funds were set up, with capital raised or in the collection phase for investments in the residential, student housing and tertiary sectors.

Enhancement activities on the existing portfolio saw development interventions, both for the redevelopment of existing and new construction assets, for over 110 million euros, of which approximately 40% related to development projects in the social housing sector. Other development activities concerned projects for tertiary use (about 56%) and for residential use (about 44%).

Enhancement projects in the tertiary sector include: (i) the substantial completion in the Monterosa Fund of the redevelopment of two buildings for office use in the centre of Milan, with lease agreements concluded with leading tenants; (ii) the completion of the renovation of a prestigious property in the centre of Rome (FIEPP Fund), intended for the Italian headquarters of a leading international company in the media/internet TV content production sector; (iii) the continuation of the project for the enhancement and repositioning of four properties for hotel use (Shire Fund), which is expected to open next year.

As part of residential projects, in addition to the preliminary design activities for the redevelopment of the PRS Italy portfolio, which also involved the building in Milan, Corso Magenta, intended for renovation, with the possible recovery of a new commercial area and subsequent fractional sale of the units, the following should be noted: (i) the completion for Twin 1 and 2 Funds of the construction works of 158 apartments in Milan, Cascina Merlata area, fully marketed on a preliminary basis; (ii) the continuation of the transformation site from office to prestigious residential use, of a property located in Rome, in the EUR area, owned by the Helios Fund, and (iii) the continuation for the HITA 2 Fund of the residential redevelopment project of a prestigious property in the centre of Milan, whose preliminary marketing project already started in 2021; (iv) for the FPEP Fund, the continuation of the second phase of the redevelopment of a residential property located in the central area of Milan, intended for fractional sale and the continuation of the demolition works of a real estate complex located in Rome.

In relation to the process of divestment of the assets, the main activities concerned mainly funds for residential use with fractional sale, and the social housing funds which continued the marketing of the apartments. The sale of the residual assets of the Funds in liquidation also continued. In particular, the Immobilium Fund, whose extraordinary extension period is expected to expire in December 2022, completed the disposal of two properties at the end of the year, while negotiations are underway for the two residual properties.

Trusteeship

Due to the domestic and international macroeconomic scenario, the 2021 financial year was characterised by a strong recovery which in many cases even exceeded the initial forecasts that had already been optimistically formulated at the beginning of the year.

The Italian economy recorded a +6.2% growth at 31 December 2021, well above the rosiest expectations of 5% and also above the economic growth of the eurozone which recorded a +5.2% increase while the Italian stock market produced extremely positive returns with the FTSE MIB index growing by 23%.

In this strong economic recovery scenario, Finnat Fiduciaria continued developing its business, to the satisfaction of both its customers and the banking group to which it belongs. The operation to assist its customers in dealing with issues of planning, protection and succession related to business activities and financial and real estate assets continued.

The year was also characterised by intense Governance activity carried out by the Body with strategic supervision functions.

During the year 2021, the Board of Directors approved the implementation of Policies and Regulations including:

- Anti-Money Laundering Policy - update;
- Incentive systems - General principles;
- Fair value policy - update;
- New Group Regulations.

Shareholders are reassured on the constant compliance with the rules, their evolution and the correct application of the internal policies and procedures also supported by the Parent Company, in particular as regards the Internal Audit, Anti-Money Laundering, Compliance and Risk Control Functions.

The initiatives taken by the Company made it possible to successfully recover receivables, consolidating on the results achieved in the previous years, having collected approximately 89% of the 2021 turnover to date.

The total of "Fiduciary accounts" amounts to a total of 1,762 million euros compared to 1,734 million euros at 31 December 2020 with an increase of 28 million euros considering the contraction of 96 million recorded at the end of the first quarter of 2020 (1,678 million euros) compared to 31 December 2019 (1,774 million euros).

Research & Development, Organisation

During the period in question, the Bank implemented the following:

Organisation Area:

- Multiline Asset Management has been activated and customers have started to subscribe to the new product.
- The adoption of the OTP digital electronic signature to replace the graphometric signature was completed and a new portal was implemented for the management of the documentation signing by customers.
- Developments have been completed and a new portal for the management of credit procedures has been released.
- The development of the application for the optimisation of the consultancy activity of bankers was completed and released for use.
- New functions integrated into the CRM system and related to the management of exemptions and of the "Campaigns" have been developed and released.

IT and Technologies Area:

- ICT security levels have been enhanced with interventions on various areas (perimeter, PDL, server, VPN).
- The technological infrastructure of the primary site was updated and enhanced with interventions on the virtual and backup structures.
- The Unified Communication system has been enhanced and updated.
- A new UPS on the DR site was activated and remote control was enhanced.
- The Wi-Fi system of the main office and of some peripheral offices has been expanded and updated.
- A new monitoring system was installed and is operational in the IT and technology offices.

Corporate Governance

The Bank has adopted a traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors (with 10 Directors, of which one also holding the position of Honorary Chairman), the central body in the corporate governance system, exclusively in charge of managing and providing strategic supervision of the Bank and the Group, and the Board of Statutory Auditors with oversight functions over the administration and compliance with the law and with the Articles of Association.

The Board of Directors, also in accordance with the recommendations of the Corporate Governance Code (hereinafter, "the Code"), established three internal Committees (Risk Committee, Appointments Committee and Remuneration Committee), consisting of a majority of Independent Directors, which provide proposals, advice and preliminary studies for the Board.

By virtue of the provisions of the CONSOB Regulation issued through Resolution no. 17221 of 12 March 2010 and the Code, the Board has also set up a Related Parties Committee, exclusively consisting of Independent Directors.

The Supervisory Body under Italian Legislative Decree no. 231/2001 is appointed by the Board of Directors.

The governance principles of Banca Finnat Euramerica, in addition to being grounded in the applicable laws and regulations in force in Italy, are also inspired by international best practices on the matter and the recommendations of the Corporate Governance Code.

The Board of Directors preventively identified the qualitative and quantitative composition of the governing body that is deemed optimal, in view of the proper and most effective performance of the duties of the Board, in accordance with the instructions in Bank of Italy Circular no. 285 of 17 December 2013, as subsequently updated.

Pursuant to the Bank of Italy Circular no. 285 of 17 December 2013, as subsequently updated, the Shareholders' Meeting of the Bank of 30 April 2021 approved the remuneration and incentive policies.

By virtue of that set out in Article 23 of Decree of the Ministry of the Economy and Finance no. 169/2020, on the fit and proper requirements of officers of banks and other intermediaries regulated by the Consolidated Banking Law (the "Decree"), in implementation of Article 26 of Italian Legislative Decree no. 385/1993 (the "Consolidated Financial Law", as subsequently amended), on 25 May 2021 and 14 June 2021, the Board of Directors verified, in relation to its members:

(i) that they met the requirements of professionalism, integrity (also pursuant to Ministerial Decree no. 162/2000) and, where applicable, independence;

(ii) that they met the criteria of fairness and competence;

(iii) that they complied with the limit to the number of offices set out in Articles 17, 18 and 19 of the Decree (the "Limit to Offices");

(iv) that they met the criterion of independence of mind set out in Article 15 of the Decree, and put in place suitable controls to prevent the risk of compromising such independence;

(v) that they had adequate time available to carry out the office, considering, inter alia, their participation in board committees, set out Article 16 of the Decree (the "Time Commitment");

(vi) that, where applicable, they met the requirement of independence pursuant to Article 2, Recommendation 7 of the Code;

(vii) that, where applicable, they met the requirement of independence pursuant to Article 148, paragraph 3 of Italian Legislative Decree no. 58/1998, as subsequently amended (the "Consolidated Financial Law"), and as referred to in Article 147-ter, paragraph 4 of the Consolidated Financial Law;

(viii) that there were no reasons for incompatibility for the purposes of interlocking pursuant to Article 36 of Italian Law Decree no. 201 of 6 December 2011 (the "Interlocking Prohibition");

(ix) that the composition of the governing body as a whole complied with the indications set out in the "Guidance on the qualitative and quantitative composition of the Board of Directors of Banca Finnat S.p.A.", drawn up following the annual self-assessment by the Board of Directors (published on the Company's website on 19 March 2021 - and then updated on 31 March), and that it met the criteria of appropriate overall composition pursuant to Article 11 of the Decree.

In the course of the meetings of the Board of Directors, the Board was kept constantly informed on the measures implemented to limit the risk of the spread of Covid-19.
The Report on Corporate Governance prepared pursuant to art. 123-bis of the Consolidated Law on Finance.

Provisions set out in Art. 36 of the Consob Market Regulations
(Subsidiaries established and regulated by the law of states not part of the European Union)

Banca Finnat Euramerica declares that the provisions of Art. 36 of Consob Regulation no. 1619/2007 (Market Regulation) on the subject of conditions for the listing of parent companies incorporated or regulated according to the laws of countries not part of the European Union and of significant relevance for the purposes of the consolidated financial statements must not be applied - as expressly provided for in paragraph 2 of the aforementioned Art. 36 - to the subsidiary Finnat Gestioni S.A. as the same, being below the limits set by the law, is not of "significant importance".

Market disclosure information

Regarding direct disclosure to the market, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, at 31 December 2021, the Bank did not hold any exposure and/or interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPE (Special Purpose Entities) - CDO (Collateralized Debt Obligations) - Other subprime and Alt-A exposures - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance.
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to CONSOB Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70

(paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by CONSOB through Resolution no. 11971 of 14 May 1999, as subsequently amended, by making use of the right of listed companies to depart from the obligation to submit the information documents required by Annex 3B of the CONSOB Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;

- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, CONSOB and ISVAP and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of *IAS* 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in the Notes to the Financial Statements, Part A, Section 2 - General financial reporting principles and Part E - Information on Risks and Related Hedging Policies;
- the Bank, by the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) no. 2017/2395, amending "Regulation (EU) no. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of *IFRS* 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of *IFRS* 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of *IFRS* 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9, albeit limited to those deriving from the measurement of performing financial assets. On 28/4/2020, the EU, with Regulation no. 2020/0066 issued to combat the effects of Covid-19, supplemented the above-mentioned transitional provisions, extending their application from 2022 to 2024 (again with progressively decreasing percentages) for the new provisions recognised in 2020 and in 2021 against performing financial assets.

Capital adequacy, prudential ratios and information on risk management

Information relating to the level of capital adequacy and risk management of the Bank is amply illustrated in the Notes to the Financial Statements, respectively, in Part F - Information on Equity, and in Part E - Information on risks and related hedging policies.

Own funds and capital ratios

The Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("*CRR*") and in the EU Directive ("*CRD IV*") of 26 June 2013 that transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (known as Basel 3).
In order to enact the regulations, the Bank of Italy issued Circular no. 285 "Prudential Supervision Provisions for Banks" on 17 December 2013.
Own funds at 31 December 2021 amounted to 248,893 thousand euros (241,646 thousand euros at 31 December 2020), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 41.96% (47.47% at 31 December 2020). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to 248,286 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would be equal to 41.90%.
These ratios widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy on conclusion of the supervisory review and evaluation process (SREP) established by Directive no. 2013/36/EU (CRD

IV).

Exposure to debt securities and sovereign debt financing

The detail required by Consob with its communication dated 31 October 2018 regarding the "Communication regarding information to be provided in financial reports regarding the exposures held by listed companies in sovereign debt securities" is reported in the Directors' Report on the consolidated financial statements.

Performance of subsidiaries

InvestiRE SGR S.p.A.

The company, based in Rome and incorporated on 4 February 2002, has the purpose of establishing and managing real estate funds and was authorised by the Bank of Italy on 9 May 2002.
On 29 December 2014, the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. within InvestiRE Immobiliare SGR S.p.A. was finalised, with accounting and tax effects as from 1 January 2015.
As a result of this transaction, the share capital was increased from 8,600,000 euros to 14,770,000 euros and the company was owned at 31 December 2020 by Banca Finnat Euramerica, with 50.16%, by Covivio 7 (formerly Beni Stabili Siiq), with 17.90%, by Regia S.r.l. (G. Benetton Group) with 11.64%, by Fondazione Cariplo with 8.65%, by Cassa Italiana di Previdenza e Assistenza Geometri with 7.72%, by ICCREA Holding with 2.38% and by Fondazione Cassa dei Risparmi di Forlì with 1.55%.
On 8 March 2021, Banca Finnat acquired from Covivio 7 S.p.A. - a shareholder of InvestiRE SGR with a stake of 17.89% - the entire equity investment (equal to 2,643 shares). At the same time, the Bank sold to E.N.P.A.F.- Ente Nazionale di Previdenza e di Assistenza Farmacisti 8.9% (equal to 1,315 shares) of the shares purchased.
On conclusion of the transaction, the Bank increased its equity investment in Investire Immobiliare SGR from 50.16% to 59.15%.
At 31 December 2021, InvestiRE SGR S.p.A. holds an equity investment of 20% in the share capital of REDO SGR S.p.A. for a value of 4,215 thousand euros. In November 2020, InvestiRE sold 2.56% of that equity investment (which it and Cariplo held in the amount of 33.3% and 66.7%, respectively) following the already planned share reorganisation which was completed with the entry into the capital of Cassa Depositi e Prestiti and Intesa San Paolo. On conclusion of the transaction, the share capital of REDO SGR is divided as follows: 40% Fondazione Cariplo, 30% Cassa Depositi e Prestiti S.p.A., 20%, InvestiRE and 10% Intesa San Paolo.
At 31 December 2021, the company manages 52 real estate funds, and the GAV of the managed assets came to 6,977 million euros compared to 6,644 million euros at 31 December 2020.
The draft financial statements at 31 December 2021 show profit of 6,042 thousand euros compared to 5,214 thousand euros at 31 December 2020 and equity with a book value of 80,887 thousand euros compared to 79,995 thousand euros at 31 December 2020. During the 2021 financial year the company recognised fee and commission income of 26,329 thousand euros compared to 24,588 thousand euros in 2020.

Finnat Fiduciaria S.p.A.

The company - incorporated in accordance with Italian Law no. 1966 of 23 November 1939 - is based in Rome and operates as an equity and security trust company. It has a share capital of 1,500,000 euros held entirely by Banca Finnat Euramerica S.p.A.
At 31 December 2021, assets under management totalled 1,762 million euros compared to 1,734 million euros at 31 December 2020.
The draft financial statements at 31 December 2021 show a profit of 115 thousand euros compared to 93 thousand euros of the previous year. During 2021 the company recognised fee and commission income of 1,576 thousand euros compared to 1,624 thousand euros at 31 December 2020. At 31 December 2021, the company had equity of 2,053 thousand euros compared to 2,000 thousand euros at 31 December 2020.

Finnat Gestioni S.A.
The company, established on 10 April 2008, is based in Lugano and provides financial management and advisory services including, in particular, asset and portfolio management services.
The Bank holds a 70% stake in the company's share capital, which amounts to CHF 750,000, while the remaining stake is held by EFG Bank. Managed assets at 31 December 2021 came to CHF 119.5 million, compared to CHF 119 million at 31 December 2020.
The book value of equity at 31 December 2021 came to CHF 2,487 thousand compared to CHF 2,342 thousand at 31 December 2020.
The draft financial statements for the 2021 financial year show a profit of CHF 575 thousand compared to CHF 475 thousand at 31 December 2020.
During 2021 the company recognised fee and commission income of CHF 904 thousand compared to CHF 865 thousand at 31 December 2020.

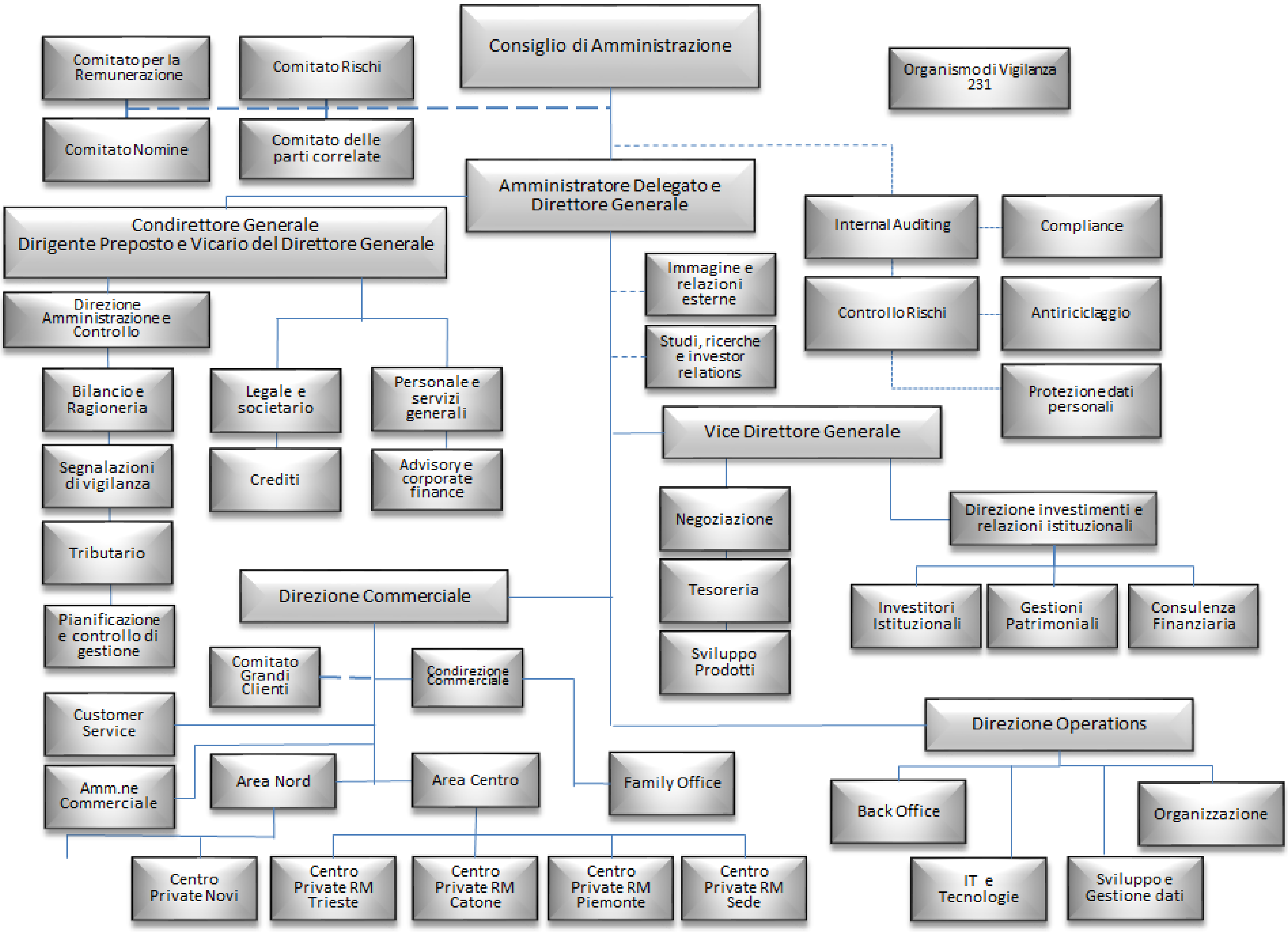
Natam Management Company S.A.
The company, established on 30 August 2016, has its registered office in Luxembourg and share capital of 750,000 euros divided into 750 shares with a face value of 1,000 euros each, entirely subscribed by Banca Finnat.
Natam's corporate purpose is to perform collective asset management both in favour of harmonised funds and of alternative investment schemes.
The draft financial statements for the 2021 financial year show a profit of Euro 112 thousand euros compared to 102 thousand euros at 31 December 2020.
The book value of equity at 31 December 2021 came to 952 thousand euros compared to 839 thousand euros at 31 December 2020.
During the 2021 financial year the company recognised fee and commission income of 1,796 thousand euros compared to 1,768 thousand euros at 31 December 2020.

* * *

The graph of the group structure with related shareholdings is shown in the Report on operations of the consolidated financial statements.

The structure of Banca Finnat Euramerica

From an organisational point of view, the Bank has the following structure:



Compared to 31 December 2020, the Bank's workforce decreased by two units as detailed below:

	31.12.2021	31.12.2020
Employees	186	187
- executives	36	33
- middle managers	87	87
- office workers	63	67
Contractors	8	8
Financial advisor agents	4	5
Total	198	200

As regards the change in employees, it should be noted that during the year 9 employees (of which 1 on a fixed-term basis and 8 on a permanent contract) ended their employment, while the total number of new recruits was 8 (of which 5 on a fixed-term basis and 3 on a permanent contract). The number of employees remained unchanged while that of financial advisors agents decreased by 1 unit.

The new recruits, identified through extensive research and selection of candidates, made it possible to cope with ordinary staff turnover, while continuing to improve the quality of some strategic sectors of activity, such as the commercial network, implemented through the recruitment of high quality resources with consolidated professional experience.

As far as training is concerned, 80 courses were held, for a total of 3,038 hours and 1,489 attendances (with 174 employees involved in one or more initiatives).

In compliance with Covid-19 prevention security protocols, almost all training courses were held in e-learning and virtual classroom mode; interventions were aimed both at updating the knowledge of all staff on specific subjects (the e-learning course in the privacy field "The European regulation on personal data" was released), and at consolidating/strengthening the specialist skills of the commercial network (coaching and professional updating courses, in line with the requirements and provisions of the MIFID II regulation).

Treasury shares

At 31 December 2021 the Bank held 28,810,640 treasury shares equal to 7.9% of the share capital for a total value of 14,059 thousand euros. During the 2021 financial year, the Bank did not carry out any transactions on treasury shares.

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of Shares	Stock Exchange Listing 7 February 2022	Capitalisation 7 February 2022 (in thousands of euro)	Equity (in thousands of euro)	Share capital (in thousands of euro)
ORDINARY SHARES	362,880,000	0.2620	95,075	254,237	72,576

Related party transactions

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 2 August 2013 and lastly updated on 16 December 2021 to define responsibilities and rules governing the identification, approval and implementation of Related Party Transactions carried out by the Bank or by companies in the Banca Finnat banking group, in accordance with the provisions of Article 2391-bis of the Italian Civil Code, the CONSOB Regulation adopted through Resolution no. 17221 of 12 March 2010 and Part III, Chapter 11 of Bank of Italy Circular no. 285 on “Supervision Provisions for Banks”.

The Bank has carried out transactions both with subsidiaries and with related parties, ordinary transactions of lesser significance and of small amounts, under market conditions, which did not significantly impact the statement of financial position or the results of the company.

The Bank did not carry out any "atypical or unusual" transactions with related parties or with parties other than related parties which, due to their significance/relevance may have cast doubts on the safeguarding of the company's assets and the protection of non-controlling interests.

The information required by IAS 24 is provided in Part H of the Notes to the Financial Statements.

Option for the domestic consolidated tax system

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the Consolidated Income Tax Act. The option was renewed in June 2019 for the 2019-2021 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the algebraic sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit of the company is determined.

Comparison of the main balance sheet and income statement data for the years 2021 and 2020

We present below, in summary form, the main financial statement data at 31 December 2021 compared with the corresponding data for the 2020 financial year.

The tables reflect the minimum mandatory layout provided for in Circular no. 262/2005 issued by the Bank of Italy (update 7).

STATEMENT OF FINANCIAL POSITION OF BANCA FINNAT EURAMERICA S.p.A.
(thousands of euro)

	31.12.2021	31.12.2020	Absolute change
ASSETS			
Cash and cash equivalents	79,326	41,058	38,268
Financial assets at fair value through profit or loss:	30,728	27,228	3,500
a) financial assets held for trading	9,327	6,847	2,480
c) other financial assets mandatorily measured at fair value	21,401	20,381	1,020
Financial assets at fair value through other comprehensive income	346,128	340,566	5,562
Financial assets at amortised cost	1,331,965	1,299,643	32,322
a) loans and receivables with banks	54,372	52,619	1,753
b) loans and receivables with customers	1,277,593	1,247,024	30,569
Equity investments	88,796	78,934	9,862
Property, equipment and investment property	13,235	11,715	1,520
Intangible assets	455	486	(31)
Tax assets	1,697	2,311	(614)
Other assets	36,344	19,923	16,421
TOTAL ASSETS	1,928,674	1,821,864	106,810
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost	1,653,866	1,557,962	95,904
a) due to banks	392	145	247
b) due to customers	1,653,474	1,557,817	95,657
Financial liabilities held for trading	2,065	40	2,025
Tax liabilities	2,669	2,284	385
Other liabilities	14,132	12,548	1,584
Post-employment benefits	1,581	1,549	32
Provisions for risks and charges	124	313	(189)
a) commitments and guarantees given	55	246	(191)
c) other provisions for risks and charges	69	67	2
Equity	254,237	247,168	7,069
TOTAL LIABILITIES AND EQUITY	1,928,674	1,821,864	106,810

INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.p.A. (thousands of euro)

	Financial year 2021	Financial year 2020	Change	
			Absolute	Percentage
Net interest income	**10,256**	**16,235**	**(5,979)**	**-37%**
Net fee and commission income	**25,448**	**21,713**	**3,735**	**17%**
Dividends and similar income	4,155	5,340	(1,185)	
Net trading expense	1,521	(253)	1,774	
Net gain from disposal or repurchase of:	215	1,448	(1,233)	
a) financial assets at amortised cost	155	278	(123)	
b) financial assets at fair value through other comprehensive income	60	1,170	(1,110)	
Net losses on other financial assets and liabilities at fair value through profit or loss:	(177)	(253)	76	
b) other financial assets mandatorily measured at fair value	(177)	(253)	76	
Total income	**41,418**	**44,230**	**(2,812)**	**-6%**
Net impairment losses for credit risk associated with:	(1,049)	(5,234)	4,185	
a) financial assets at amortised cost	(1,026)	(5,584)	4,558	
b) financial assets at fair value through other comprehensive income	(23)	350	(373)	
Net modification gains (losses)	(157)	(185)	28	
Net financial income	**40,212**	**38,811**	**1,401**	**4%**
Personnel expenses	(22,143)	(21,486)	(657)	
Other administrative expenses	(14,067)	(12,556)	(1,511)	
Net reversals of (accruals to) provisions for risks and charges	190	(211)	401	
Depreciation and net impairment losses on property, equipment and investment property/Amortisation and net impairment losses on intangible assets	(2,355)	(2,386)	31	
Other operating income, net	5,038	4,675	363	
Operating costs	**(33,337)**	**(31,964)**	**(1,373)**	**4%**
Net loss on equity investments	24	(73)	97	
Profit (loss) from continuing operations before taxes	**6,899**	**6,774**	**125**	**2%**
Income taxes	(1,220)	(1,193)	(27)	
Profit for the year	**5,679**	**5,581**	**98**	**2%**

A series of Bank operating ratios at 31 December 2021 are shown below compared with the operating ratios of the previous year.

	2021 (%)	2020 (%)
Net interest income/Total income	24.76	36.71
Net fee and commission income/Total income	61.44	49.09
Cost/income ratio (Operating costs/Total income)	80.49	72.27
ROE (profit for the year/equity)	2.23	2.26
ROA (profit for the year/total assets)	0.29	0.31

Main transactions in the year, significant subsequent events and operating outlook

Most significant transactions of the year

- On 10 February 2021, the Bank's Board of Directors examined and approved the Group's new Business Plan for the period 2021-2023.
- On 8 March 2021, Banca Finnat acquired from Covivio 7 S.p.A. (formerly Beni Stabili Siiq) - a shareholder of InvestiRE SGR with a stake of 17.89% - the entire equity investment (equal to 2,643 shares) at a price that takes account of the minority discount due to the illiquid nature of the stakes sold. At the same time, the Bank sold to E.N.P.A.F.- Ente Nazionale di Previdenza e di Assistenza Farmacisti 8.9% (equal to 1,315 shares) of the shares purchased, at the same price conditions. That transaction enabled E.N.P.A.F. to enter the capital of InvestiRE and, as a long-term shareholder of the asset management company, can contribute to the strategic development of InvestiRE. On conclusion of the transaction, the Bank increased its equity investment in Investire Immobiliare SGR from 50.16% to 59.15%. The details of the transaction are illustrated in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations/Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian) published on 21 January 2021.
- On 30 April 2021 the Bank's Ordinary Shareholder's Meeting:
  - approved the Separate Financial Statements and examined the Group Report at 31 December 2020;
  - taking account of that set out in the Recommendation on the distribution of dividends of the Bank of Italy of 16 December 2020, the Bank resolved to distribute the following dividends to Shareholders: 1) a first gross dividend of 0.00245 euros per share, which was paid from 26 May 2021 (ex dividend date 24 May 2021). That amount falls within the maximum permitted in compliance with the provisions of said recommendation; 2) a second dividend of 0.01085 euros per share, to be paid in the time window from 1 October 2021 to 31 January 2022, whose distribution, in compliance with the provisions of said recommendation, shall in any event be subject to the verification by the Board of Directors that there are no limits or conditions imposed by the European Central Bank and the Bank of Italy that could prevent or limit said distribution. This dividend was distributed on 27 October 2021.
  - appointed the members of the Board of Directors and the Board of Statutory Auditors for the three-year period 2021-2023;
  - appointed Giampietro Nattino as Honorary Chairman for the three-year period 2021-2023;
  - appointed Salvatore Ferri as Chairman of the Board of Statutory Auditors for the three-year period 2021-2023;
  - approved the Remuneration Policy drawn up pursuant to Article 123-ter of Italian Legislative Decree no. 58/98.
- On 5 May 2021, the Bank's Board of Directors appointed Marco Tofanelli as Chairman, Lupo Rattazzi as Vice President and Arturo Nattino as Managing Director. The new corporate officers are illustrated on page 4. The Board also appointed the members of the Remuneration Committee, Risk Committee, Appointments Committee and the Members of the Supervisory Body.
- On 14 June 2021, the Bank's Board of Directors, with a position opinion from the Appointments Committee and approval of the Board of Statutory Auditors, resolved to appoint via co-optation Cavaliere di Lavoro Giampietro Nattino as Executive Director, replacing Ermanno Boffa, who resigned on 19 May 2021. At the same meeting, the Board established the Group Management and Coordination Committee, which will assist the Managing Director and General Manager in coordinating the business initiatives of the Bank and the Group, and in the steering and coordination of the investees.

- On 14 July 2021, as decided by the Board of Directors on 14 June 2021, the Bank undertook to irrevocably subscribe units of the "BFE Revalue" real estate fund for a total value of 2 million euros, to be finalised through payment in cash (200 thousand euros paid at 31 December 2021). That fund, managed by the subsidiary InvestiRE SGR S.p.A., manages the real estate lodged as collateral for loans subject to foreclosure, with targeted actions mainly for the purpose of participating in auctions and stimulating market demand, for the purpose of favouring the settlement of unsatisfied loans, supporting the value of assets with the potential to increase in value outside of the foreclosure procedure. The fund will also manage the properties contributed to the Bank as a result of their assignment to the Bank following the positive outcome of pending foreclosure procedures.
- On 5 August 2021, the Bank's Board of Directors appointed Mr. Giulio Bastia, Assistant General Manager and Financial Reporting Manager of the Bank, the title of "Deputy" General Manager in order to allow the Assistant General Manager to exercise the functions attributed to the General Manager in the event of their absence from service or impediment.
- On 22 September 2021, the Board of Directors of the Bank met in the presence of the entire Board of Statutory Auditors for the delivery by the Bank of Italy of the Inspection Report concerning the ordinary inspection carried out on the whole Banking Group from 6 April 2021 to 14 July 2021. The inspection was specifically focused on the governance of the Group and the operating and reputational risk and lending activities of the Bank.
- On 20 October 2021, the Board of Directors of the Bank, in line with the provisions of the Shareholders' Meeting of 30 April 2021, taking into account the provisions of the recommendation on the matter of dividend distribution of the Bank of Italy of 16 December 2020 and having verified the absence of limits and conditions dictated by the European Central Bank and the Bank of Italy that could prevent or limit said distribution, ordered the payment of the following additional dividend equal to 0.01085 euros per share, which was paid on 27 October 2021 (coupon detachment date 25 October 2021).

Covid-19

In the first days of January 2021 there was a general worsening of the epidemiological situation in the country. In this context, on 14 January the Council of Ministers with Italian Law Decree no. 2 extended the state of emergency linked to the Covid-19 pandemic expiring on 31 January to 30 April 2021; on the same date, the Government also issued a new Prime Ministerial Decree with anti-contagion measures in force from 16 January to 5 March 2021. The Prime Ministerial Decree set limits on travel between regions and confirmed the division of the country into red, orange and yellow zones, based on the contagion indexes, confirming all the measures already in place and expiring at the end of January. In order to manage and reduce the spread of the pandemic, in the first few days of January the first phase of the vaccination campaign began. On 2 March, the Government issued a new Prime Ministerial Decree that dictated new rules and confirmed the previous ones in force from 6 March to 6 April. The restrictive measures enacted included the closure of all schools of all levels in the red zones.

On 21 April 2021, in light of the comforting scientific data, which recorded a significant slowdown in the epidemic, and in consideration of the trend in the vaccination campaign, the Government approved the Reopening Decree applicable from 26 April to 31 July. The text of the Decree outlines a schedule for gradually removing the restrictions introduced in the previous months, with scheduled gradual reopenings of bars, restaurants, gyms and cultural activities. The various measures set out included the introduction throughout Italy of "Covid-19 Green Passes" for the purpose of certifying that an individual has been vaccinated or has healed from the infection or that they have had a quick molecular or antigen test with a negative result. The pass allows people to move between regions, even those assigned different colours.

The Decree also extended to 31 July the state of health emergency that was expiring on 30 April. During the month of June, a further improvement in the epidemiological situation was recorded throughout the national territory mainly due to the achievement of a high vaccination coverage and therefore starting from 28 June, with an order signed by the Minister of Health, the whole national territory was declared a "White zone".

On 28 June, the Prime Minister signed the Decree defining the procedures for issuing "Covid-19 digital green certifications" (the *Green Pass*); the certificate is intended to facilitate participation in public events and travel on the national territory and from 1 July guarantees holders free circulation within the European Union.
On 13 October 2021, in compliance with the provisions of Italian Legislative Decree no. 127/2021 which extends the obligation, starting from 15 October, to use the Covid-19 green certificate also to workers employed in the private sector, the Bank issued a circular setting out the procedure for checking the *Green Pass*. The circular, also distributed to other companies of the Group, defines the procedures for checking possession of the green certificate to access the Bank's workplaces and carry out one's work. The recipients of the obligation to hold and exhibit (upon request) a *green pass* are all those who carry out, in any capacity, their work in the Bank's offices, in particular: employees, collaborators, trainees, external consultants and suppliers. For each place of work, persons responsible for checking the green pass using the national C19 Verification App were formally appointed by the Bank. The Bank has also established the role of Covid Manager, who coordinates the activities of all the persons responsible for checks.
In the last days of December 2021 there was a general worsening of the epidemiological situation in the country due to the spread of a new variant called Omicron. This new variant, identified for the first time in mid-November 2021 in South Africa and detected in Italy in the first days of December 2021, has a greater transmissibility and aggressiveness than the Delta and the other variants, due to a faster and easier diffusion of the virus. Especially in consideration of the speed of spread of Covid-19, at the end of December 2021 the Government approved two decree-laws to introduce urgent measures for the containment and spread of the epidemic, and provisions on health surveillance.

On 24 December 2021, the Council of Ministers issued decree-law no. 221 which provides, among other things, for the extension until 31 March 2022 of the national state of emergency connected to the protraction of the epidemic. The decree also provided for the obligation to wear FFP2 type masks for access and use of all means of transport and for shows open to the public.

On 30 December 2021, the Council of Ministers approved decree-law no. 229, on health surveillance, which provides, starting from 10 January 2022 and until the end of the state of emergency, the extension of the reinforced Green Pass ("Super Green Pass" obtainable only with the completion of the vaccination cycle or through recovery) for access to the following activities: hotels and accommodation facilities, outdoor catering services, conference centres, ski lifts, etc.; the decree also provides for the use of the Super Green Pass for access and use of means of transport including local and regional public transport.

In particular, in terms of support for its customers, during the 2020 financial year, the Bank had promptly activated the measures envisaged by the "Cura Italia" Decree which, in Article 56, had established an extraordinary moratorium for the benefit of micro enterprises and SMEs to which loans or credit lines had been granted. The deadline for the measures contained in the Decree was originally scheduled for 30 September 2020; subsequently, confronted with the protracted economic effects of the health crisis, the Government postponed this original deadline several times, until 31 December 2021.

The Notes to the Financial Statements (Part A - Accounting policies, Section 4 - Other aspects) provide information on the effects that the Covid-19 epidemic has produced on risk management strategies, objectives and policies, as well as on the economic and financial situation of the Bank in compliance with the communication of the Bank of Italy of 21 December 2021.
In particular, the positions subject to the measures envisaged by the "Cura Italia" Decree, represented in the table "4.4a Loans valued at amortised cost subject to Covid-19 support measures: gross value and total impairment losses" of the Notes to the Financial Statements, are constantly monitored by the bank and currently do not show any signs of deterioration.

In particular as regards the loans subject to a moratorium, which fall within the scope of the "Guidelines on legislative and non-legislative moratoriums on loan repayments applied in the light of the Covid 19 crisis" published by the EBA (EBA/GL/2020/02) and subsequent amendments and additions, at 31 December 2021 there were two positions for a total exposure of 1,571 thousand euros compared to 18 positions for a total of 18,663 thousand euros in place at 31 December 2020. The loans subject to the moratorium no longer compliant with the GL and not valued as forborne performing exposure amount to 6 positions at 31 December 2021 for a total exposure of 16,756 thousand euros. These positions, which the Bank constantly monitors even after the expiry of the forbearance measures, do not presently show signs of deterioration.

Significant events occurring after the end of the year

In the period between the end of the 2021 financial year and the date of preparation of these Financial Statements, no significant events or facts emerged that would entail the adjustment of the economic, equity and financial situation of the Bank.
However, it should be noted that on 11 February 2022 the Mr Carlo Carlevaris, for many years Chairman of the Bank's Board of Directors, passed away. The whole Banca Finnat Euramerica Group remembers with deep emotion his qualities of great professionalism and humanity.

Covid-19

Since the beginning of 2022 there has been a general worsening of the epidemiological situation in the country due to the wide spread of the new Omicron variant which recorded several times, during the month of January throughout the national territory, peaks of positive Covid-19 tests exceeding 200,000 units per day and a number of deaths exceeding 400 units.
Especially in consideration of the speed of the epidemic, on 7 January 2022 the Government issued Italian Decree Law no. 1 for the adoption of further measures for the prevention and containment of Covid-19 in order to limit the increasing trend of the contagion curve and to implement protection measures for the most exposed categories. In particular, starting from 15 February and until 15 June 2022, the decree provides for the vaccination obligation for all workers in the public and private sectors aged 50. In this regard it should be noted that the reinforced Green Pass, whose verification is the responsibility of employers, constitutes an essential requirement for carrying out working activities. The decree also provides for the extension of the basic Green Pass to access:
- personal services (barbers, hairdressers and beauticians) starting from 20 January 2022;
- public offices, postal, banking and financial services and commercial activities not of primary necessity, starting from 1 February 2022.

Within its competence, the Bank promptly respected and applied the provisions of the new government measures described above; the Bank also updated and integrated the circular issued on 13 October 2021 which defines the methods for checking possession of the Green Pass to access workplaces, it also further strengthened the health facilities already in place, and increased the number of smart working employees.
The Bank's Coronavirus Emergency Committee continuously monitors the evolution of the pandemic at national level in order to provide indications to the top management on how to deal with all the cases that could arise.
It should be noted that, despite the emergency situation described above, all the companies of the Banca Finnat Group have ensured and continue to ensure operational continuity towards counterparties and the market, always guaranteeing the maximum efficiency of the service offered to customers both in branches and through online banking services.

Invasion of Ukraine by Russia

At 5 a.m. local time on 24 February 2022, Russian armed forces crossed the borders and began the invasion of Ukraine. The advance of the Soviet troops continued day after day with the aim of reaching the capital Kiev.
The NATO countries reacted immediately by activating their defensive plans by putting their forces on maximum alert. Through the President of the Commission, the European Union has announced heavy economic sanctions such as: the

interruption of the export of technology to Moscow, the freezing of Russian assets and the end of Russian banks' access to the European capital market.
The European Union, aligning itself with the position of the United States, Great Britain and Canada, has also provided to exclude some Russian banks from the Swift international payment system.
At the moment it is not possible to make any predictions regarding the potential economic impacts deriving from the situation of serious international instability that has arisen as a result of the ongoing war. Taking into account the current situation and in the desirable hypothesis of a rapid resolution of hostilities, it is not believed that these impacts could be significant.
On 7 March 2022, with a joint press release, the Bank of Italy, CONSOB, IVASS and UIF called the attention of the supervised entities to full compliance with the restrictive measures applied by the European Union in response to the Russian military aggression in Ukraine. In compliance with what is reported in the Press Release, the Bank is putting in place all the controls and devices necessary in order to comply with the restrictive measures adopted by the EU, constantly monitoring the updating of the measures in question.

<u>Operating outlook</u>

The forecasts for the year 2022, drawn up at the beginning of the year by the Bank and the other Group Companies, were prepared taking into account the persistence of the Covid-19 epidemiological emergency situation but also the benefits deriving from the economic policy measures adopted at national and international level and a consequent resolution of the crisis generated by the pandemic starting from the end of the current year. The expected results allow us to confirm interesting levels of profitability and capitalisation also for 2022.
Taking into account the above-described serious international situation in progress, in the periodic reports scheduled for the year, the Bank will provide updates on the effects that the evolution of the Russian invasion in Ukraine may have on the performance of company activities.

Dear Shareholders,

We submit for your approval the financial statements for the 2021 financial year consisting of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Financial Statements, as well as the relative attachments and the Report on management performance.
We also propose to allocate the profit for the year as follows:

profit for the year	Euro	5,679,140
• to legal reserve, for the 5% portion to be allocated in accordance with the law and the Articles of Association	Euro	283,957
• to the 334,069,360* ordinary shares a gross dividend of 0.012 euros per share (equal to 6% of the nominal value of the same shares)	Euro	4,008,832
• to the extraordinary reserve	Euro	1,386,351
total	Euro	5,679,140

* Number of shares calculated by subtracting from the total number of ordinary shares, equal to 362,880,000, the treasury shares in portfolio at the date of approval of the draft financial statements at 31 December 2021 equal to 28,810,640.

The dividends proposed for each eligible ordinary share, as indicated above, have been calculated considering the redistribution of the profit referring to treasury shares held in the portfolio at the date of the approval of the draft financial statements at 31 December 2021 by the Board of Directors.

Pursuant to Art. 1 of the Ministerial Decree of 2 April 2008, the dividends referred to in this proposal, exclusively for tax purposes, are presumed to be formed with the profits produced in years prior to 31 December 2007, having ascertained the presence of adequate reserves formed with profits generated up to the year in progress on that date.

It should also be noted that the aforementioned allocation of the profit for the year complies with the provisions of Art. 6 of Italian Legislative Decree no. 38/2005.

* * * *

After the aforementioned allocations, the item "Reserves" will assume the following values:

• legal reserve	12,087,660	euros
• dividend adjustment reserve	6,724,772	euros
• purchased treasury shares reserve	14,059,346	euros
• extraordinary reserve	87,537,037	euros
• retained earnings restated pursuant to IAS 19	179,409	euros
• IFRS 9 *FTA* reserve	(488,407)	euros
• merger surplus reserve	524,609	euros
Total profit reserves	120,624,426	euros
Other reserves		
• profits on treasury shares	4,277,111	euros
• earnings (losses) on *HTCS* shares	(35,300)	euros
Total reserves	124,866,237	euros
	==================	

Before moving on to the analysis of the various financial statements items, the Board wishes to thank all the Company's staff for their valuable work.

Rome, 21 March 2022

For the Board of Directors

The Chairman

(Mr. Marco Tofanelli)

STATEMENT OF FINANCIAL POSITION OF BANCA FINNAT EURAMERICA S.P.A.
(amounts in euro)

	Assets	31.12.2021	31.12.2020
10.	Cash and cash equivalents	79,326,228	41,057,700
20.	Financial assets at fair value through profit or loss	30,728,341	27,228,019
	a) financial assets held for trading	9,326,979	6,847,169
	c) other financial assets mandatorily measured at fair value	21,401,362	20,380,850
30.	Financial assets at fair value through other comprehensive income	346,128,099	340,566,359
40.	Financial assets at amortised cost	1,331,964,945	1,299,642,720
	a) loans and receivables with banks	54,371,909	52,618,913
	b) loans and receivables with customers	1,277,593,036	1,247,023,807
70.	Equity investments	88,796,093	78,934,134
80.	Property, equipment and investment property	13,235,327	11,715,038
90.	Intangible assets	455,469	485,711
	of which:		
	- goodwill	300,000	300,000
100.	Tax assets	1,696,982	2,311,165
	a) current	28,120	706,013
	b) deferred	1,668,862	1,605,152
120.	Other assets	36,342,196	19,923,373
	Total assets	1,928,673,680	1,821,864,219

STATEMENT OF FINANCIAL POSITION OF BANCA FINNAT EURAMERICA S.P.A.
(amounts in euro)

	Liabilities and equity	31.12.2021	31.12.2020
10.	Financial liabilities at amortised cost	1,653,866,802	1,557,961,350
	a) due to banks	392,371	144,834
	b) due to customers	1,653,474,431	1,557,816,516
20.	Financial liabilities held for trading	2,064,792	39,706
60.	Tax liabilities	2,669,367	2,283,596
	a) current	486,020	333,269
	b) deferred	2,183,347	1,950,327
80.	Other liabilities	14,130,691	12,549,197
90.	Post-employment benefits	1,580,734	1,549,310
100.	Provisions for risks and charges	124,246	312,620
	a) commitments and guarantees given	55,246	245,620
	c) other provisions for risks and charges	69,000	67,000
110.	Valuation reserves	66,845,325	61,012,734
140.	Reserves	123,195,929	122,058,280
160.	Share capital	72,576,000	72,576,000
170.	Treasury shares (-)	(14,059,346)	(14,059,346)
180.	Profit for the year (+/-)	5,679,140	5,580,772
	Total liabilities and equity	1,928,673,680	1,821,864,219

INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.P.A.
(amounts in euro)

	Items	2021	2020
10.	Interest and similar income	13,678,203	18,404,102
	of which: interest calculated using the effective interest method	9,884,861	14,877,434
20.	Interest and similar expense	(3,421,753)	(2,169,438)
30.	**Net interest income**	**10,256,450**	**16,234,664**
40.	Fee and commission income	27,453,359	23,738,566
50.	Fee and commission expense	(2,005,595)	(2,025,085)
60.	**Net fee and commission income**	**25,447,764**	**21,713,481**
70.	Dividends and similar income	4,155,136	5,340,473
80.	Net trading expense	1,520,853	(253,157)
100.	Net gain from disposal or repurchase of:	214,402	1,448,156
	a) financial assets at amortised cost	154,676	277,943
	b) financial assets at fair value through other comprehensive income	59,726	1,170,213
110.	Net losses on other financial assets and liabilities at fair value through profit or loss	(177,486)	(253,272)
	b) other financial assets mandatorily measured at fair value	(177,486)	(253,272)
120.	**Total income**	**41,417,119**	**44,230,345**
130.	Net impairment losses for credit risk associated with:	(1,049,339)	(5,233,878)
	a) financial assets at amortised cost	(1,026,234)	(5,584,332)
	b) financial assets at fair value through other comprehensive income	(23,105)	350,454
140.	Net modification gains (losses)	(156,668)	(185,370)
150.	**Net financial income**	**40,211,112**	**38,811,097**
160.	Administrative expenses:	(36,209,638)	(34,041,413)
	a) personnel expenses	(22,143,020)	(21,485,911)
	b) other administrative expenses	(14,066,618)	(12,555,502)
170.	Net reversals of (accruals to) provisions for risks and charges	190,373	(210,996)
	a) commitments and guarantees given	190,373	(143,996)
	b) other	-	(67,000)
180.	Depreciation and net impairment losses on property, equipment and investment property	(2,263,577)	(2,299,173)
190.	Amortisation and net impairment losses on intangible assets	(91,137)	(86,740)
200.	Other operating income, net	5,038,278	4,673,897
210.	**Operating costs**	**(33,335,701)**	**(31,964,425)**
220.	Net loss on equity investments	24,227	(73,073)
260.	**Profit (loss) from continuing operations before taxes**	**6,899,638**	**6,773,599**
270.	Income taxes	(1,220,498)	(1,192,827)
280.	**Profit from continuing operations after taxes**	**5,679,140**	**5,580,772**
300.	**Profit for the year**	**5,679,140**	**5,580,772**

STATEMENT OF COMPREHENSIVE INCOME OF BANCA FINNAT EURAMERICA S.P.A.
(amounts in euro)

	Items	2021	2020
10.	Profit for the year	5,679,140	5,580,772
	Other comprehensive income after taxes that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	6,534,516	2,777,312
70.	Defined benefit plans	(28,799)	36,420
	Other comprehensive income after taxes that will be reclassified to profit or loss		
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	(673,126)	1,076,686
170.	Total other comprehensive income after tax	5,832,591	3,890,418
180.	Comprehensive income (Items 10+170)	11,511,731	9,471,190

Item 20. also includes the change in the fair value of the investments in subsidiaries.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(in euro)

				Allocation of previous year's profit		Changes during the year								
						Changes in reserves	Equity transactions						Comprehensive income for 2021	
	Balances at 31/12/2020	Change in opening balances	Balances at 01/01/2021	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*		Equity at 31/12/2021
Share capital:	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
a) ordinary shares	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-		-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	122,058,280		122,058,280	1,137,649	-	-	-	-	-	-	-	-	-	123,195,929
a) income-related	117,816,469		117,816,469	1,137,649	-	-	-	-	-	-	-	-	-	118,954,118
b) other	4,241,811		4,241,811	-	-	-	-	-	-	-	-	-	-	4,241,811
Valuation reserve	61,012,734		61,012,734	-	-	-	-	-	-	-	-	-	5,832,591	66,845,325
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059,346)		(14,059,346)	-	-	-	-	-	-	-	-	-	-	(14,059,346)
Profit for the year	5,580,772		5,580,772	(1,137,649)	(4,443,123)	-	-	-	-	-	-	-	5,679,140	5,679,140
Equity	247,168,440		247,168,440	-	(4,443,123)	-	-	-	-	-	-	-	11,511,731	254,237,048

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(in euro)

				Allocation of previous year's profit		Changes during the year								
						Changes in reserves	Equity transactions						Comprehensive income for 2020	
	Balances at 31/12/2019	Change in opening balances	Balances at 01/01/2020	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*		Equity at 31/12/2020
Share capital:	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
a) ordinary shares	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-		-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	121,280,592		121,280,592	777,688	-	-	-	-	-	-	-	-	-	122,058,280
a) income-related	117,038,781		117,038,781	777,688	-	-	-	-	-	-	-	-	-	117,816,469
b) other	4,241,811		4,241,811	-	-	-	-	-	-	-	-	-	-	4,241,811
Valuation reserve	57,122,316		57,122,316	-	-	-	-	-	-	-	-	-	3,890,418	61,012,734
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059,346)		(14,059,346)	-	-	-	-	-	-	-	-	-	-	(14,059,346)
Profit for the year	777,688		777,688	(777,688)	-	-	-	-	-	-	-	-	5,580,772	5,580,772
Equity	237,697,250	-	237,697,250	-	-	-	-	-	-	-	-	-	9,471,190	247,168,440

STATEMENT OF CASH FLOWS (indirect method)
(amount in euros)

	Amount	
	31.12.2021	**31.12.2020**
A. OPERATING ACTIVITIES		
1. Operations	10,461,029	18,480,350
- profit for the year (+/-)	5,679,140	5,580,772
- net losses on financial assets held for trading and on other financial assets and liabilities at fair value through profit or loss (-/+)	(423,879)	77,002
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses for credit risk (+/-)	1,049,339	5,233,878
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	2,424,488	2,441,139
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	766,420	1,116,321
- taxes, duties and tax credits not liquidated (+/-)	(1,220,498)	(1,192,827)
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups net of tax effect (+/-)	-	-
- other adjustments (+/-)	2,186,019	5,224,065
2. Cash generated by/used for financial assets	(59,195,411)	227,754,502
- financial assets held for trading	(1,786,788)	51,025,099
- financial assets at fair value	-	-
- other financial assets mandatorily measured at fair value	(1,289,655)	293,644
- financial assets at fair value through other comprehensive income	(2,867,483)	27,164,003
- financial assets at amortised cost	(36,762,888)	143,575,336
- other assets	(16,488,597)	5,696,420
3. Cash generated by/used for financial liabilities	94,842,861	(256,628,548)
- financial liabilities at amortised cost	92,190,450	(258,348,409)
- financial liabilities held for trading	2,025,086	(112,061)
- financial liabilities at fair value	-	-
- other liabilities	627,325	1,831,922
Net cash flows generated by/used in operating activities	46,108,479	(10,393,696)
B. INVESTING ACTIVITIES		
1. Cash generated by	3,433,564	3,548,330
- disposals of equity investments	-	-
- dividends from equity investments	3,432,800	3,548,330
- disposals of property, equipment and investment property	764	-
- disposals of intangible assets	-	-
- disposals of business units	-	-
2. Cash used for	(6,830,392)	(122,393)
- purchases of equity investments	(6,683,498)	-
- purchases of property, equipment and investment property	(85,999)	(57,341)
- purchases of intangible assets	(60,895)	(65,052)
- purchases of business units	-	-
Net cash flows generated by/used in investing activities	(3,396,828)	3,425,937
C. FINANCING ACTIVITIES		
- issues/repurchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- dividend and other distributions	(4,443,123)	-
Net cash flows used in financing activities	(4,443,123)	-
NET CASH FLOWS FOR THE YEAR	38,268,528	(6,967,759)

Key:
(+) generated
(-) used

RECONCILIATION	31.12.2021	31.12.2020
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the year	41,057,700	48,025,459
Total net cash flows for the year	38,268,528	(6,967,759)
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at the end of the year	79,326,228	41,057,700

NOTES TO THE FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.p.A.

The sections of the notes to the financial statements applicable to the Bank are shown below.

Part A – Accounting policies

A.1 – General Information

Section 1 - Declaration of compliance with international accounting standards

The financial statements at 31 December 2021 of Banca Finnat Euramerica have been prepared applying the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued, as amended, by the International Accounting Standard Board (IASB), as endorsed by the European Commission, in force at 31 December 2021, in accordance with the procedures laid down in Regulation EC no. 1606/02.
The international accounting standards have been applied taking into account, where necessary, the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).
For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (*IFRIC*), as well as the documents issued to support the introduction of the *IAS/IFRS* in Italy by the Organismo Italiano di Contabilità (OIC) - the Italian Accounting Board - and the documents produced by the Italian Bankers' Association (ABI).
If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

Section 2 - General financial reporting principles

These separate Financial Statements of Banca Finnat Euramerica S.p.A. at 31 December 2021 were prepared in accordance with the provisions laid down by Bank of Italy Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" - update 7 of 29 October 2021. Among other things, this latest update has the purpose of aligning, as far as possible, the financial statements with the consolidated financial reports at European level (FINREP).

The communication of the Bank of Italy of 21 December 2021 - Update of the additions to the provisions of Circular no. 262 "Bank's financial statements: compilation schemes and rules", concerning the impacts of Covid-19 and measures to support the economy. This communication, which repeals and replace the previous one of 15 December 2020, has the purpose to update the additions to the provisions of Circular no. 262/2005 to provide the market with information on the effects that Covid-19 has produced on risk management strategies, objectives and policies, as well as on the Bank's economic and equity situation. The communication in question provides that the tabular representation of the new provisions, referring to the 2021 financial statements, also include the indication of the comparative amounts referring to the data for the year 2020.
Account was also taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of Covid-19, issued by the European regulatory and supervisory bodies and by standard setters, aimed at clarifying the methods of application of the IAS/IFRS in the current pandemic environment (ESMA Notices, EBA guidelines, letter from the ECB dated 4 December 2020 and ESMA Notice of 29 October 2021).

The accounting standards applied to prepare these Financial Statements have remained unchanged with respect to those applied to prepare the 2020 Financial Statements, with the exception of what indicated "Information on the main financial statement items".
With reference to the evolution of the accounting legislation, it should be noted that starting from 2021, Regulation no. 25/2021 of 13 January 2021, which incorporates the document "Reform of the reference indices for determining interest rates - phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" on issues relating to the revision of interest rates (Interest Rate Benchmark Reform - IBOR Reform) is applicable. The main changes introduced concern the possible accounting impacts deriving from the application of the new rates, in particular the accounting representation of the

amendments to existing contracts and accounting hedges. From the point of view of the accounting representation, it is clarified that the changes following the IBOR Reform relating to the replacement of the existing IBOR rate with the new Risk Free Rate should not constitute a derecognition event, but are to be considered as a modification in the accounts. In this context, a practical expedient has been introduced which makes it possible not to derecognise the financial instrument and not to have to adjust its gross book value by recognising net modification gains (losses). With regard to hedge accounting, some exceptions have been introduced to IAS 39 and IFRS 9 which allow, for hedging relationships affected by the reform of the benchmark interest rates, not to carry out "discounting" on existing hedges and reflect alternative benchmark interest rates therein. The aforementioned changes introduced by the IASB, with the aim of avoiding distorting effects on the financial statements as a consequence of the reform, did not have any accounting impact for the Bank.

The Separate Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement as well as these Notes to the Financial Statements.

They are also accompanied by the Report of the Board of Directors on the Bank's situation, on the economic management performance as a whole and in the various sectors in which it operated as well as on the main risks and uncertainties that it faces.

The Separate Financial Statements also include the Statement of Changes in Equity investments.

The Report on Corporate Governance prepared pursuant to Art. 123-bis of the Consolidated Law on Finance.

The Notes to the Separate Financial Statements provide all the information required by law as well as any additional information deemed necessary to give a true and fair view of the Bank's situation. If the information required by the international accounting standards and by the provisions contained in Circular of the Bank of Italy no. 262 of 22 December 2005 - 7th update are not sufficient to give a truthful, correct, relevant, reliable, comparable and understandable representation, complementary information necessary for this purpose is provided in the notes to the financial statements.

The schedules of the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income are made up of items, sub-items and further information details (the “of which” pertaining to items and sub-items). The items, sub-items and related information details constitute the separate financial statements. Items that do not present amounts for the year to which the financial statements refer, nor for the previous one, are not shown. In the Income Statement and in the Statement of Comprehensive Income, revenue is indicated without a sign, while costs are indicated in brackets.

The amount of the previous year is also indicated for each item of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income and the Cash Flow Statement.

In compliance with Article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the Financial Statements were prepared using the euro as the reporting currency. The amounts in the accounting schedules are expressed in units of Euro while the data in the Notes to the Financial Statements, unless otherwise specified, are expressed in thousands of euro.

The Separate Financial Statements provide a true and fair view of the equity, financial situation and economic result for the year. The financial statements were also drawn up, as already mentioned, with a view to the continuation of operations (IAS 1 paragraph 25), in compliance with the principle of accruals (IAS 1 paragraph 27 and 28) and in compliance with the obligation to make adjustments for reflect events subsequent to the reporting date (IAS 10). Assets and liabilities, income and expenses have not been offset, except where required or allowed by a standard or interpretation (IAS 1, paragraph 32). The cost of inventory and of financial instruments was calculated using the weighted average daily cost method (IAS 2, paragraph 25).

The Separate Financial Statements of Banca Finnat Euramerica S.p.A. are subject to audit by KPMG S.p.A., whose attached Report is explicitly referred to.

As required by IAS 8, the Regulations endorsed by the European Commission that apply from 1 January 2021 onwards are shown below:

- Regulation no. 25/2021 – Interest Rate Benchmark Reform - phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- Regulation no. 1421/2021 - Concession on royalties related to Covid-19 after 30 June 2021 (Amendment to IFRS 16).

In addition, the European Commission has approved the following Regulation (for amendments or issuances of new standards) which will be applied starting from 1 January 2023:

- Regulation no. 2023/2021 - Insurance contracts - Amendment to IFRS 17.

Section 3 - Subsequent events

In the period between the end of the 2021 financial year and the date of preparation of these Financial Statements, no significant events or facts emerged that would entail the adjustment of the economic, equity and financial situation of the Bank.
However, it should be noted that on 11 February 2022 the Mr Carlo Carlevaris, for many years Chairman of the Bank's Board of Directors, passed away. The whole Banca Finnat Euramerica Group remembers with deep emotion his qualities of great professionalism and humanity.

Covid-19
Since the beginning of 2022 there has been a general worsening of the epidemiological situation in the country due to the wide spread of the new Omicron variant which recorded several times, during the month of January throughout the national territory, peaks of positive Covid-19 tests exceeding 200,000 units per day and a number of deaths exceeding 400 units.
Especially in consideration of the speed of the epidemic, on 7 January 2022 the Government issued Italian Decree Law no. 1 for the adoption of further measures for the prevention and containment of Covid-19 in order to limit the increasing trend of the contagion curve and to implement protection measures for the most exposed categories. In particular, starting from 15 February and until 15 June 2022, the decree provides for the vaccination obligation for all workers in the public and private sectors aged 50. In this regard it should be noted that the reinforced Green Pass, whose verification is the responsibility of employers, constitutes an essential requirement for carrying out working activities. The decree also provides for the extension of the basic Green Pass to access:
- personal services (barbers, hairdressers and beauticians) starting from 20 January 2022;
- public offices, postal, banking and financial services and commercial activities not of primary necessity, starting from 1 February 2022.

Within its competence, the Bank promptly respected and applied the provisions of the new government measures described above; the Bank also updated and integrated the circular issued on 13 October 2021 which defines the methods for checking possession of the Green Pass to access workplaces, it also strengthened the health facilities already in place, and increased the number of smart working workers.
The Bank's Coronavirus Emergency Committee continuously monitors the evolution of the pandemic at national level in order to provide indications to the top management on how to deal with all the cases that could arise.
It should be noted that, despite the emergency situation described above, all the companies of the Banca Finnat Group have ensured and continue to ensure operational continuity towards counterparties and the market, always guaranteeing the maximum efficiency of the service offered to customers both in branches and through online banking services.

Invasion of Ukraine by Russia

At 5 a.m. local time on 24 February 2022, Russian armed forces crossed the borders and began the invasion of Ukraine. The advance of the Soviet troops continued day after day with the aim of reaching the capital Kiev.

The NATO countries reacted immediately by activating their defensive plans by putting their forces on maximum alert. Through the President of the Commission, the European Union has announced heavy economic sanctions such as: the interruption of the export of technology to Moscow, the freezing of Russian assets and the end of Russian banks' access to the European capital market.

The European Union, aligning itself with the position of the United States, Great Britain and Canada, has also provided to exclude some Russian banks from the Swift international payment system.

At the moment it is not possible to make any predictions regarding the potential economic impacts deriving from the situation of serious international instability that has arisen as a result of the ongoing war. Taking into account the current situation and in the desirable hypothesis of a rapid resolution of hostilities, it is not believed that these impacts could be significant.

On 7 March 2022, with a joint press release, the Bank of Italy, CONSOB, IVASS and UIF called the attention of the supervised entities to full compliance with the restrictive measures applied by the European Union in response to the Russian military aggression in Ukraine. In compliance with what is reported in the Press Release, the Bank is putting in place all the controls and devices necessary in order to comply with the restrictive measures adopted by the EU, constantly monitoring the updating of the measures in question.

Section 4 - Other information

Risks, uncertainties and impacts of the Covid-19 epidemic

In compliance with the Bank of Italy's communication dated 21 December 2020 "Additions to the provisions of Circular no. 262/2005 concerning the impacts of Covid-19 and measures to support the economy and amendments to the IAS/IFRS" information is provided below on the effects that the Covid-19 epidemic has produced on the strategies, objectives and policies of risk management, as well as on the Bank's income statement and financial position.

Risks and uncertainties

In compliance with the IAS/IFRSs, the Bank carries out valuations, estimates and assumptions to support the application of the accounting standards and to determine the amounts of the assets, liabilities, costs and revenue reported in the financial statements, as well as the disclosure relating to contingent assets and liabilities.

The estimates and relevant assumptions are based on previous experience and on other factors considered reasonable in the case in question and were adopted to estimate the book value of the assets and liabilities that cannot be easily inferred from other sources.

In particular, estimate processes were adopted in support of the book values of some of the most significant valuation items recognised in the Financial Statements at 31 December 2021, as set forth in the accounting standards and reference regulations described above. These processes are based largely on estimates of future recoverability of the values booked to the financial statements according to the rules dictated by the regulations in force and were carried out on the basis of the going concern assumption, i.e. excluding the assumption of forced settlement of the items subject to valuation.

The processes adopted confirm the book values at 31 December 2021. The parameters and information used to verify the values mentioned earlier are therefore greatly influenced by the factors which could be subject to rapid changes that are currently not foreseeable, so that subsequent effects on future book values cannot be ruled out.

The estimates and assumptions are reviewed regularly. Any changes resulting from these revisions are booked in the period in which the revision is carried out, if the same concerns solely that period. In the event in which the revision

concerns both current and future periods, the change is booked in the period in which the revision is carried out in the relative future periods.
The main cases where the use of subjective evaluations by Management are most requested are:

- quantifying losses due to impairment of loans and, in general, other financial assets and equity investments;
- using valuation models for recognising the fair value of financial instruments not listed in active markets;
- estimating and assuming the recoverability of deferred tax assets;
- estimating the recoverable value of goodwill;
- the estimate of the actuarial gains/losses related to the post-employment benefits;
- estimating any provisions for risks and charges.

Going concern assumption

In accordance with the requirements of the joint Bank of Italy, CONSOB and ISVAP document no. 2 of 6 February 2009 and paragraphs 25 and 26 of IAS 1, the Directors of the Bank, in the current Covid-19 epidemiological emergency, have taken into account with the utmost caution and attention - for the purpose of preparing these financial statements - a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the 'going concern' requirement.

As a result of the tests conducted on the realisable value of the assets and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts on the Bank continuing as a going concern, even when taking full account of the impacts of Covid-19. Given the size of assets, the substantial financial resources owned and the composition, quality and liquidity of the portfolio of financial assets, the Directors have prepared these Financial Statements in the full conviction that the Bank meets the requirements of a going concern in the foreseeable future.

Methods of application of the IAS/IFRSs

The Bank paid particular attention to compliance with accounting and prudential rules as well as the correct application of international accounting standards, also taking into account the aforementioned communication from the Bank of Italy. From the analysis performed - focusing in particular on IFRS 9 and IAS 36, IFRS 15, IFRS 16 and IAS 19, summarised below - no particularly critical issues were identified as concerns for the drafting of these Financial Statements.

IFRS 9 – Financial Instruments - IAS 36 – Impairment of Assets
On the premise that the Bank has never modified its business models, the following issues were specifically analysed:

- Increase in credit risk.
  Taking into account the intervention of ESMA of 25 March 2020 and of the IFRS Foundation of 27 March 2020, the Bank did not consider the economic support measures put into place by the government to support borrowers in response to Covid-19 as measures that automatically trigger an SICR (significant increase in credit risk); instead, it assessed any increase in credit risk using reasonable and supportable current and forward-looking information at the date on which these Financial Statements were drafted.
  It should also be highlighted that the moratoriums granted to performing customers to handle the Covid-19 emergency, in line with the provisions of the guidelines issued by the European Banking Authority (EBA/GL/2020/02) on 2 April 2020, did not entail the classification of customer exposures as forborne performing exposures, since the application of a general legislative moratorium, adopted as a specific response to the current economic situation caused by the Covid-19 pandemic, is not a forbearance measure and therefore should not be considered a restructuring as a result of financial difficulty. For those positions, the calculation of days past due was therefore suspended.

- Staging allocation – Significant increase in credit risk – new quantitative regulation.

  The accounting standards applied to prepare these Financial Statements at 31 December 2021 have remained unchanged with respect to those applied to prepare the Financial Statements at 31 December 2020, with the exception of what indicated in section A.2 - "Information on the main financial statement items". With respect to the last financial year, an amendment was also made to point "15 - Other information and 6 - Methods for determining impairment losses" specifically regarding the identification of a "significant increase" in credit risk.

  Specifically, starting in the current year, the outsourcer that provides the operating system the Bank uses made an update to the rating model, which also introduces the new definition of default set out in Article 178 of Regulation no. 575/2013 (CRR) adopted by the Bank and consistent with the definition of impaired financial assets set out in IFRS 9. The update to the rating model made resulted in several changes to the quantitative criteria established by the Bank's current policy to identify a "significant increase" in credit risk, exclusively as regards the staging method defined for the loans portfolio.

  Specifically, in order to verify a significant deterioration in credit quality and the resulting transfer of the financial instrument from Stage 1 to Stage 2, the quantitative criterion based on the verification of deterioration of the counterparties' ratings has been replaced with a new criterion based on the verification of the change in the Probability of Default (PD) of the credit position. The changes in PD are calibrated on the single rating classes and prudently considered the evolution of the curve, which is monotonic (the curve grows as the rating class worsens). The Bank has identified the thresholds for change in PD which, when reached, moves the financial instrument from Stage 1 to Stage 2, differentiated by type of customer (retail and corporate) and by rating class, as shown below:

Changes in Probability Of Default

Rating class	Retail customers	Corporate customers
AAA	250%	300%
AA	250%	300%
A	250%	300%
BBB	250%	300%
BB	200%	200%
B	200%	100%
CCC	50%	80%
CC	30%	30%
C	30%	30%

- Measurement of expected credit losses.

  With reference to the measurement of expected losses on credit exposures, the competent Authorities suggest considering the deterioration of the economic situation caused by the Covid-19 pandemic and, taking into account the context of high uncertainty, estimate the expected losses avoiding excessively pro-cyclical assumptions, giving a greater weight to historical information than to long-term macroeconomic forecasts.

  To determine the collective write-down of performing positions (on- and off-balance sheet) at 31 December 2021, Banca Finnat used the consortium model developed by the IT outsourcer as, in accordance with IFRS 9, it takes into account the updating of the historical series of risk parameters and macroeconomic scenarios based on the latest available forecasts. The estimation model adopted incorporates the macroeconomic scenarios implemented by the specialist provider Prometeia. The estimates of risk parameters, and in particular the forward looking information, at 31 December 2021 show significant improvements generated by the positive evolution of the macro-economic

situation, also determined by the introduction of support measures for businesses consisting of the State guarantee on bank loans and the gradual easing of anti-Covid measures, nationally and internationally.
The forward looking information required by the model identify three scenarios (Best/Base/Worst) to which the following weights were assigned in the previous years: 5/90/5.
Nonetheless, considering the current unusual situation, in line with the provisions of the Supervisory Bodies to encourage banks to keep using suitably prudent approaches, Banca Finnat decided to change the above weights, prudentially assigning a weight of 90 to the Worst scenario and a weight of 5 to the Base and Best scenarios. This approach resulted in an increase in impairment losses on performing loans of approximately 195 thousand euros. Despite the significant improvement in the emergency situation triggered by the pandemic and the positive estimates of growth in the Italian and European GDP, it is in fact considered that the signals of the increase in the number of infections at internal level of new variants of the Covid-19 virus, could lead to new containment measures and, as a result, have an impact on the macroeconomic variables with significant effects on the calculation of expected losses.
With regard to the calibration of the statistical matrices, taking into account that in order to deal with the economic emergency triggered by the pandemic, government measures have been adopted through credit moratoriums and the provision of guarantees through the use of public funds, in the development of the impairment model, despite having recalibrated the default rate available at 31 December 2021 and having used the latest Forward Looking Information of the satellite model, the Bank has prudentially deemed it appropriate to keep the transition matrices of the statistical model unchanged.

- Fair value measurement.
  In the current context characterised by market uncertainty and volatility, there could be an increase in measurements classified as Level 3, through the use of non - observable inputs, due to the disappearance of prices quoted in active markets (Level 1) and/or observable inputs (Level 2). Movement within the fair value hierarchy could take place for various types of financial instruments. At 31 December 2021 there have been no significant changes in the fair value hierarchy and as regards the valuation of financial instruments classified in Level 3, the Group has maintained the same criteria as those adopted in the 2020 Group Report, adding an integration to the Policy adopted to include the assessment method relating to a type of investment previously not envisaged, as illustrated in the Section "Information on fair value".

- Impairment of assets
  At 31 December 2021 the Bank carried out impairment testing of its assets also taking into account the crisis situation generated by Covid-19.
  Pursuant to IAS 36, the Bank tested the recoverability of the book values of equity investments in associated companies measured at cost. The tests conducted did not show any problems and, thus, it was not necessary to record any impairment losses.
  Deferred tax assets at 31 December 2021 are in line with ESMA guidelines. The Bank has verified the recoverability of the same recorded in accordance with IAS 12. On the basis of the assessments performed at 31 December 2021 with regard to the economic and financial projections, it is deemed with reasonable certainty that the deferred tax assets recognised in the statement of financial position assets will be recovered in full.

Contractual changes resulting from Covid-19

1) Contractual changes and accounting derecognition (IFRS 9)
   At 31 December 2021 the pandemic did not cause significant deterioration in the payment capacity of the Bank's customers; to this end, the following were assessed:
   - whether any price reductions granted may have led to a change in the contract;

- if any payment extensions granted to customers could have generated a significant financial component.

The analysis performed did not show conditions for the revision of timing and methods for the recognition of revenue.

It should also be noted that during the year - following the measures put in place by the Government to support the economy to mitigate the pandemic effect - no significant contractual changes or accounting derecognitions were made for the Bank's customers.

2) Amendment of IFRS 16

As lessees, the Bank did not exercise any extension option set forth by IFRS 16 in the case of significant events or changes caused specifically by the decline in economic activity and the uncertainty of the macroeconomic scenario, nor did it rely on the provisions of the amendment "Covid-19 Related Rent Concessions" published by the IASB on 28 May 2020, which provides lessees with the option of accounting for payment reductions without needing to evaluate, by analysing the contracts, if the changes fall within the definition of lease modification set forth in IFRS 16.

Impact of the pandemic on the Bank's strategies and results for the year

The Bank's business strategies have not changed as a result of the pandemic. The Bank ensured business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels.

None of the Bank's activities was interrupted, even temporarily, in particular as regards customer service.

Despite the economic crisis which significantly affected many production sectors at national level, the Bank's result for the year 2021 is slightly higher than the result of the previous year and it should be noted that in the year in question there were no absolute or relative negative impacts recorded on the main items of the statement of financial position and income statement due to the pandemic.

2021 recorded a recover in activities and services targeted to corporate and institutional customers, which were more harshly penalised by the economic crisis in the previous year. The increase in net fee and commission income recorded compared to 2020 is in fact mainly attributable to the increase in trading commissions, advisory commissions on managed deposits and placement of funds, thanks to the growth in indirect deposits, as well as to the increase in advisory and corporate finance commissions also as a result of the implementation of two bond placement transactions and four placement transactions on the Euronext Growth Milan stock market (in this regard, note the strong growth in turnover and transactions on this market, also supported by the 44 admissions transactions in 2021).

Net interest income, on the other hand, decreased by 37% compared to the previous year, mainly due to the decrease in the contribution of repurchase agreements on the proprietary portfolio.

Lastly, with reference to IAS 19 application, actuarial gains/losses related to the provision for post-employment benefits registered during 2021 are in line with previous years.

Net impairment losses for credit risk of financial assets decreased by 4.2 million euro compared to 2020 due to lower analytical adjustments made while maintaining the coverage rate of non-performing loans unchanged.

It should be noted that the Bank is keeping significant attention focused, specifically, on monitoring credit positions subject to moratorium and government guarantees, or which enjoyed subsidies at commercial level in the initial period of the crisis caused by the pandemic. A fresh outbreak of the emergency situation triggered by the spread of new variants, though contained by the vaccination campaign, could threaten the positive impact expected as a result of the relaunch of the national economy of the management of the resources allocated at European level.

The liquidity position has always remained solid thanks to the broad availability of liquid reserves. In particular, during the 2021 financial year, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were considerably above minimum requirements. In terms of capital, the Bank's capital and asset quality make it possible to face the crisis in the near future with relative peace of mind.

Exemption from drafting the fourth interim report on operations 2021

With the implementation of the Shareholders' Rights Directive (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-ter ("Financial Relations") of the Consolidated Financial Law (TUF) was amended. This amendment establishes that the annual financial report, including the draft financial statements, the consolidated financial statements where drafted, the management report and the declarations of the delegated administrative bodies and the financial reporting officer, must be made public within 120 days of financial year closing. The obligation of publication within 120 days refers explicitly to the "draft financial statements" approved by the administrative body and no longer to the "financial statements" approved by the shareholders' meeting. Therefore, with this amendment, the option for listed companies of postponing the approval of the financial statements up to a maximum term of 180 days is reinstated as provided for by art. 2364 paragraph 2 of the Civil Code, which had no longer applied after the application of Directive 2004/109/EC (Transparency Directive). The decree also establishes that, notwithstanding art. 2429, paragraph 1, of the Italian Civil Code, the draft financial statements must be communicated by the directors to the board of statutory auditors and to the independent auditors at least 15 days before the publication of the same.

With reference to the companies listed in the STAR segment, Borsa Italiana has provided for the publication - in addition to the reports relating to the 1st and 3rd quarters, as required by paragraph 5 of article 154-ter - also of the interim management report with reference to the 4th quarter; it also provided for the option to omit the preparation of the report in the event that the publication of the draft financial statements is brought forward to 90 days from the end of the reference year. This 90-day term was established by Borsa Italiana with notice no. 14924 of 8 October 2010 regarding the "Amendments made to the Stock Market Regulations".

In light of the foregoing, the Bank has taken advantage of the option not to publish the 4th interim management report by making the draft separate financial statements available to the shareholders and the market within 90 days from the end of the financial year the separate and consolidated financial statements at 31 December 2021 accompanied by the certification of the Financial Reporting Manager, with that of the Board of Statutory Auditors and the Independent Auditors.

A.2 – Information on the main financial statement items

The accounting standards adopted in preparing these Financial Statements at 31 December 2021 remained unchanged with respect to those adopted in preparing the 2020 Financial Statements, with the exception:

- of the change made to point "15 - Other information 6 - Methods for determining impairment losses" specifically regarding the identification of a "significant increase" in credit risk. Specifically, starting in the current year, the outsourcer that provides the operating system the Bank uses made an update to the rating model, which also introduced the new definition of default set out in Article 178 of Regulation no. 575/2013 (CRR) adopted by the Bank and consistent with the definition of impaired financial assets set out in IFRS 9. The update to the rating model resulted in the change, from 30 June 2021, to one of the quantitative criteria established by the Bank's updated policy to identify a "significant increase" in credit risk, exclusively as regards the staging method defined for the loans portfolio. The new rule no longer refers to the worsening of rating classes, but it is based on the change in the Lifetime Probability of Default in relation to the origination of the loan;
- the change made to point "3 Recognition of revenue and costs" relating to the method of recognition of revenue relating to the mandatory service of producing research in analyst coverage and financial analysis services, exercised in relation to institutional customers which, starting from 2021, occurs at the time the research is issued and no longer at a later point, based on the amount that the Bank has the right to invoice;
- the change made to the section "Information on fair value" relating to the introduction of the criteria, previously not included as relating to a case that was not present, relating to the valuation of investments with a lock-up clause in UCIs managed directly by Group companies.

The accounting standards adopted as concerns classification criteria, measurement and de-recognition, as well as the methods of recognition of costs and revenue are reported below:

1. Financial assets at fair value through profit or loss (FVTPL)

Classification criteria

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

- financial assets held for trading, mainly represented by debt securities, UCIs and equity instruments and the positive value of derivative contracts held for trading (Other/Trading);
- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost ("Hold to Collect") or at fair value through other comprehensive income ("Hold to Collect and Sell").

These are financial assets whose contractual terms do not exclusively envisage capital reimbursements and interest payments on the amount of principal to be repaid (failing the "SPPI test") or that are not held within the framework of a business model whose objective is to hold assets for the purpose of collecting contractual cash flows or within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; capital instruments for which the Bank does not exercise the irrevocable option for the measurement of these instruments at fair value through other comprehensive income are also included in this category.

- financial assets at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset as at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments, on the disbursement date for loans and on the subscription date for derivative contracts.

Upon initial recognition, financial assets at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criteria are charged to the Income Statement.

Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models or values posted in recent comparable transactions. For equity instruments and derivatives involving equity instruments not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case where none of the measurement methods mentioned above are applicable (since the most recent information available to measure fair value is insufficient), or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.

For further information on the criteria for determining fair value, please refer to the specific "Information on fair value" section.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

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

Lastly, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out those flows, and only those flows, without a significant delay, to other third parties.

2. Financial assets at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through sale (Hold to Collect and Sell);
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (passing the "SPPI test").

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

Specifically, this item includes:

- debt securities that are part of a Hold to Collect and Sell business model and passed the SPPI test;
- investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option of measurement at fair value through other comprehensive income was exercised;
- loans that are part of a Hold to Collect and Sell business model and passed the SPPI test;

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets.

In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to the income statement (in the item "Net trading expense”).

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments, on the disbursement date for loans. Upon their initial recognition, assets are measured at fair value, which generally corresponds to the price paid. Any transaction costs or income directly attributable to the instrument itself are included in the purchase cost.

Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with impacts deriving from application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, whereas other gains or losses arising from a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. Upon disposal, in whole or in part, the cumulative gain or loss in the valuation reserve is reversed to the Income Statement.

The equity instruments chosen for classification in this category are measured at fair value and the amounts recognised as a balancing entry in equity must not be subsequently transferred to the income statement, even in the event of disposal. The only component relating to the equity instruments in question that is recognised in the income statement is represented by the related dividends.

Fair value is determined on the basis of the criteria already illustrated for Financial assets at fair value through profit or loss.

For further information on the criteria for determining fair value, please refer to the "Information on fair value" Section.

Financial assets at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to the testing for a significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in Stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as Stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and Stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.
Vice versa, equity instruments are not subject to impairment.

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

3. Financial assets at amortised cost

Classification criteria
This category includes financial assets (in particular loans and debt securities) that meet both of the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows, and the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (passing the "SPPI test"). More specifically, different types of loans to banks and customers and debt securities meeting the requirements set out in the previous paragraph are included in this item.
This category also includes operating loans related to the provision of financial activities and services as established by the Consolidated Banking Law and the Consolidated Financial Law.
According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the event of reclassification as Financial assets at fair value through profit or loss and Equity, in the specific valuation reserve, in the event of reclassification as Financial assets at fair value through other comprehensive income.

Loans and receivables with customers also include receivables for lease transactions relating to sub-leases of portions of properties.

Recognition criteria
Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself.
In particular, with regard to loans, the date of disbursement normally coincides with the date of signing the agreement. If these dates do not coincide, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.
Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

Measurement criteria
Following their initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value, less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset). The effective interest rate is determined by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income related to the financial asset. This accounting method, which is based on a financial approach, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.
The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.
The measurement criteria are strictly related to the inclusion of the instruments in question in one of the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (Stage 3) includes non-performing financial assets and the remaining (Stages 1 and 2) performing financial assets.
With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:
- upon initial recognition, for an amount equal to the twelve-month expected credit loss;
- upon subsequent measurement of the asset, where the credit risk has not significantly increased compared to initial recognition, in relation to changes in the amount of impairment for expected losses in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk significantly increased compared to initial recognition, in relation to the recognition of impairment for expected losses over the life of the asset as provided for in the contract;
- upon subsequent measurement of the asset, where - after a significant increase in credit risk since initial recognition - the "significance" of that increase has since disappeared, in relation to the adjustment of cumulative impairment losses to take account of the change from a full lifetime expected credit loss of the instrument to a twelve-month expected credit loss.
If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).
If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "non-performing", like all other transactions with

the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the Income Statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position, and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.

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

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

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

If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the Income Statement. The value recovery cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

Value recoveries related to the passing of time are recognised in net interest income.

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

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

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

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:

- the former, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. These cases include all renegotiation operations that are aimed at adjusting the cost of the debt and its duration to market conditions.
- the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for that set out below on the subject of objective elements), is that made through "modification accounting" and not through "derecognition", which implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate.

- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

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

Lastly, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out those flows, and only those flows, without a significant delay, to other third parties.

4 - Hedging transactions

Classification criteria

Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually arise.

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

Recognition criteria

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

Measurement criteria

Hedging derivatives are measured at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 "Fair value adjustments in hedge accounting" - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.

If the hedge is ineffective, hedge accounting, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

5 - Equity investments

Classification criteria
The item "Equity investments" includes investments in subsidiaries, associates and jointly controlled companies; as required by IAS 28, this item also includes equity interests classified as joint ventures.
Equity interests in other companies in which the Bank does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired as long-term investments and not held for the purpose of trading, are classified as "Financial assets at fair value through other comprehensive income" as required by IFRS 9.

Recognition criteria
Equity investments are recorded at their settlement date and at purchase - or subscription - cost, including the additional charges.

Measurement criteria
Investments in subsidiaries are all valued at fair value while investments in associates and joint ventures are valued at cost.
The method for determining fair value is in line with current market practices and, based on the provisions of IFRS 9, makes use of a series of objective parameters.
The model is based on the discounting of the cash flows that emerge from the updated long-term plan of the subsidiaries. After updating the parameters, the same is used at each production date of preparation of the financial statements in order to determine any changes in fair value, also taking into account any further adjustments that take into account particular market situations.

Derecognition criteria
Equity investments are derecognised when they are transferred, with the substantial transfer of all related risks and benefits, or when the contractual rights to cash flows deriving from them expire.

Recognition criteria of income statement items
- Investments in subsidiaries measured at fair value

The changes in fair value that arise from the differences between the valuations at the end of the current year compared to those of the previous year are recorded, in compliance with the provisions of IFRS 9, following the same criteria envisaged for the category "Financial assets valued at fair value with through other comprehensive income".
- Investments in associates, jointly controlled companies and joint ventures valued at cost

If there is evidence that the value of an investment may have suffered an impairment, the recoverable value of the investment is estimated, taking into account the current value of the cash flows that the investment will be able to generate, including the final disposal value of the investment.
If the recovery value of an equity investment is not temporarily lower than its book value, the relative difference is recognised in the income statement under item 220 "Profits/losses on equity investments".
If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the income statement under the same item indicated above up to the value of previous impairment.

6 - Property, equipment and investment property

Classification criteria
This item includes the assets for permanent use held to generate income and the property held for investment purposes.

Property, equipment and investment property also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.
Rights of use acquired through leases and relating to the use of property or equipment (for the lessees) and assets granted under an operating lease (for the lessors) are also included.

Recognition criteria
All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discounts.
Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.
Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.
Lease agreements, in accordance with IFRS 16, are accounted for on the basis of the right of use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor as compensation for its right to use the underlying asset during the lease term. The duration of the lease agreement is determined taking into account the period of time during which the contract is enforceable; the lease agreement is considered to be no longer enforceable when the lessee and the lessor each have the right to terminate the lease without the consent of the other party and are at most exposed to a minimum penalty.
When the asset is made available to the lessee for use (initial recognition date), the right of use is recognised - net of VAT and any sub-leases - as a balancing entry to the payable equal to the present value of the lease payments to be made to the lessor.

Measurement criteria
Following their initial recognition, instrumental fixed assets and fixed investments are measured at cost minus the accumulated depreciation and taking into account any impairment losses and/or value recoveries.
This principle has been adopted because it was deemed more appropriate than the revaluation method provided by the reference accounting standard.
Property, equipment and investment property are depreciated each year, at rates calculated by reference to the residual possibility of using the assets, their related useful life and realisable value, except for land (incorporated in the asset value) and works of art, insofar as they have an indefinite life. In the case of land whose value is incorporated in the value of the property, equipment and investment property, the relevant separation is made only for free-standing buildings held. For assets acquired during the year, the depreciation is calculated on a daily basis starting on the date on which the asset was first used.
Property, equipment and investment property featuring an unlimited useful life cannot be depreciated.
Subsequent expenses relating to property, plant and equipment, already recorded in the accounts, are added to the book value of the asset when it is likely that the future economic benefits exceed the previously established ordinary performance of the asset.
At the end of each reporting period, an impairment test is carried out on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any costs to sell, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 180 "Depreciation and net impairment losses on property, equipment and investment property". If the reasons that led to the recognition of the loss cease to apply, a value recovery is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous impairment losses.

Property, equipment and investment property consisting of rights of use acquired under a lease, recorded in accordance with IFRS 16, are measured using the cost model and depreciated over the lease term and periodically subjected to impairment testing.

Derecognition criteria
The book value of property, equipment and investment property must be derecognised on its disposal, or when no future economic benefit is expected from its use.
The right of use deriving from lease agreements is eliminated from the Financial Statements at the end of the term of the lease agreement, which may be modified with respect to the initial recognition of the right of use, to take into account the exercise of any early extinction, renewal or purchase options not considered at the time of recognition.

<u>7 - Intangible assets</u>

Classification criteria
Intangible assets include long-term application software. The positive difference between the value of the assets and liabilities acquired following a business combination and the related purchase price of the combined business entity is recorded under intangible assets as goodwill.

Recognition criteria
Intangible assets are recorded at their purchase cost. The purchase cost may be adjusted for ancillary charges. The costs incurred for the purchase of intangible assets are recognised only if they are identifiable, their cost can be measured reliably, they can be controlled and they are able to generate future economic benefits. Otherwise, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.
In view of the option envisaged by IFRS 16.4, the Bank decided not to apply the standard to any operating leases on intangible assets. Therefore, Intangible assets do not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Measurement and recognition criteria of income statement items
Following their initial recognition, intangible assets are measured at cost less the accumulated amortisation and any impairment losses. The "at cost" measurement method was deemed more appropriate than the "revaluation" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.
If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised; however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash generating unit whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item "240 Goodwill impairment losses". Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.
Regarding intangible assets other than goodwill, if there is evidence of impairment, an estimate is made each year of the recoverable amount of the assets. The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and its recoverable amount. If the recoverable amount of a specific intangible asset cannot be determined, then the asset must be assigned to the smallest independent cash generating

unit (CGU), and this is referred to in estimating the recoverable value and comparing it with the book value, to establish the possible impairment loss.

Derecognition criteria

Intangible assets are derecognised when they are sold or when no future economic benefits are expected from their use.

9 - Current and deferred tax

Current and deferred income taxes, calculated in accordance with the applicable domestic regulations, are recorded in the income statement, except in the case of items directly charged or credited to equity. Tax provisions are calculated on a prudential basis and also include the risk provisions set aside in connection with the ongoing disputes.
In 2004, the Bank and its Italian-based subsidiaries joined the "domestic consolidated tax system", pursuant to Article 117/129 of the Consolidated Income Tax Act. The option was renewed in June 2019 for the 2019-2021 period.
By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the algebraic sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit of the company is determined.
Deferred taxation is calculated based on the tax effect of the temporary differences between the book value of the assets and liabilities and their tax value, resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts. Deferred tax assets are recorded in the financial statements insofar as they are likely to be recovered, based on the capability of the Bank, and of the other Group companies belonging to the "domestic consolidated tax system", to generate taxable income, in the future, on a regular basis.
Deferred taxation is calculated based on the applicable rates, with respect to the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.
Deferred tax liabilities are calculated taking into account the rates expected when payment falls due.
If the deferred tax assets and liabilities relate to income statement items, the balancing entry is represented by income tax.
When deferred tax assets and liabilities concern transactions recorded in equity, without affecting the income statement, the directly balancing entry is recorded in equity, in the specific reserves, where provided (Valuation reserves).
Current tax assets/liabilities related to income tax for the year are recognised net of any tax paid in advance and any withholding tax incurred.
Deferred tax assets and deferred tax liabilities are recorded in the statement of financial position, respectively under "Tax assets" and "Tax liabilities".

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

The sub-item of provisions for risks and charges under examination includes the provisions for credit risk recognised for commitments to lend funds and guarantees given that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, in principle, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets at amortised cost or at fair value through other comprehensive income, are adopted.

Other provisions for risks and charges

The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be made.
If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.
The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

11. Financial liabilities at amortised cost

Classification criteria
Due to banks, Due to customers and Securities issued include the various forms of interbank and customer deposits, repurchase agreements with the obligation to repurchase and deposits collected through bonds and other funding instruments issued, net of any amounts repurchased.
This item also includes the payables recorded by the company as a lessee under leases.

Recognition criteria
The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.
Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.
With regard to lease payables, the lessee, on the commencement date of the contract, recognises the payable equal to the present value of the payments due for the entire duration of the contract, discounted using marginal lending rates identified by the Group equal to the interest rate that Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is equal to the asset consisting of the right of use in a similar economic environment.

Measurement criteria
Following their initial recognition, financial liabilities are measured at amortised cost, using the effective interest rate method.
Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.
Lease payables are updated, as indicated by IFRS 16, in the presence of contractual changes due to: change in the duration of the lease, change in the guaranteed residual value, change in the exercise of the purchase option or recalculation of fixed or variable payments.

Derecognition criteria
Financial liabilities are derecognised when they expire or are discharged. Derecognition takes place also where bonds previously issued are repurchased. The difference between the book value of liabilities and the amount paid to purchase them is posted in the Income Statement.
The replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

12. Financial liabilities held for trading

Classification criteria
This item includes financial liabilities, regardless of their type, classified in the trading portfolio.
In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Liabilities that originate from uncovered short positions generated by securities trading are also included.

Recognition criteria
These liabilities are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any directly attributable transaction cost or income.

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

Derecognition criteria
Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold, substantially transferring all related risks and benefits. The resulting difference is recorded in the income statement.

<u>14 - Foreign currency transactions</u>
Foreign currency transactions are recorded in Euros on initial recognition, applying the spot exchange rate in force at the date of the transaction.
When preparing the financial statements, items in foreign currencies are recorded as follows:

- monetary instruments are recorded at the spot exchange rate on the date of preparation of the financial statements, with foreign exchange differences recorded in the income statement under the item "Net trading expense";
- non-monetary instruments are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- non-monetary instruments measured at fair value are recorded at the spot exchange rate in force at the time of preparation of the financial statements.

Exchange rate differences relating to non-monetary items are recorded applying the accounting standards used for the gains and losses relating to the original instruments.

<u>15 - Other information</u>

1. Treasury shares
Treasury shares held are stated in the financial statements at cost, adjusting equity by a corresponding amount. No gains or losses are recorded in the income statement in connection with the purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in equity.
Any marginal cost incurred for the repurchase of treasury shares is recorded as a decrease in equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

2. Post-employment benefits
Post-employment benefits are determined as the Bank's present obligation towards its employees, in terms of the related termination indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "Projected Unit Credit Method", whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the

final obligation. Once the final obligation is obtained, the Bank needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the reporting period. Actuarial profits/losses deriving from defined benefit plans are stated in Equity under Valuation reserves. All other components of the provisions for post-employment benefits accrued during the year are posted in the income statement under item 160. Administrative expenses: a) personnel expenses in "Post-employment benefits", for the amounts paid to the INPS Treasury; "payments to external pension funds: defined contribution" for payments made to Supplementary Retirement Plans and "provisions for post-employment benefits" for the adjustment of the provisions present in the company.

3. Recognition of costs and revenue

Revenue

Revenue is gross flows of economic benefits deriving from the ordinary activity of the company, when these flows determine increases in equity other than increases deriving from the contribution of shareholders. Revenue is recognised in the financial statements on an accruals basis.

In particular, fee and commission income and other income from services are recognised in the financial statements only if all the following criteria are met:

1) the contract with a customer is identified;
2) performance obligations are identified;
3) the transaction price is determined;
4) the transaction price is allocated to the performance obligations;
5) revenue is recognised when (or as) the entity satisfies a performance obligation.

Revenue configured as variable consideration is recognised in the income statement if it can be reliably estimated and only if it is highly probable that this consideration must not be reversed from the income statement in future periods in whole or in a significant part.

In the event of a strong prevalence of uncertainty factors related to the nature of the consideration, it will be recognised only when this uncertainty is resolved. Factors that could increase the likelihood and extent of the downward adjustment of revenue include, among other things, the following:

a. the amount of the consideration is very sensitive to factors beyond the control of the entity (e.g.: market volatility);
b. experience with the type of contract is limited;
c. it is usual to offer a wide range of price concessions or to change the terms and conditions of payment of similar contracts under similar circumstances;
d. the contract has a large number and a wide range of possible amounts of remuneration.

The consideration for the contract, the collection of which must be probable, is allocated to the individual obligations arising from the contract. The allocation must be based on the selling prices that would have been applied in a transaction involving the individual contractual commitment (standalone selling price). The best indication of the stand-alone selling price is the price of the good or service that can be observed when the Bank sells the good or service separately in similar circumstances and to similar customers. If the standalone selling price is not directly observable, it must be estimated.

In the event that the customer obtains a discount for the purchase of a bundle of goods or services, the discount must be allocated between all the performance obligations provided for in the contract. The discount can be attributed to one or more obligations if all of the following criteria are met:

a. the entity normally sells separately each distinct good or service;

b. the entity normally also sells separately the bundle(s) of some of the distinct goods or services, giving a discount on the standalone selling prices of the goods or services of each bundle, and the discount is substantially the same discount provided for in the contract.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations); an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits. Depending on the timing of the satisfaction of the performance obligations, the revenue can be recognised:

- when control is passed at a certain point in time; factors that may indicate the point in time at which control passes include:
  - the entity has a present right to payment for the asset;
  - the customer has legal title to the asset;
  - the entity has transferred physical possession of the asset;
  - the customer has the significant risks and benefits related to the ownership of the asset;
  - the customer has accepted the asset.
- or, alternatively, over the time provided for the satisfaction of the performance obligations, if one of the following criteria is met:
  - the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
  - the entity's performance creates or enhances an asset that the customer controls or from which it can derive all the benefits (potential cash flows);
  - the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Interest is recognised on an accruals basis that considers the effective yield of the asset.
The positive economic components accrued on financial liabilities are recognised under the item "Interest and similar income".
Default interest is recorded under the item "Interest and similar income", when it is actually collected.
Dividends are recorded in the accounts in accordance with the shareholders' right to receive payment.
Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations): an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits.

Disclosure required by IFRS 15 (Revenue from Contracts with Customers).

Nature of the services
A description of the main businesses from which the Bank generates its revenue from contracts with customers, distinguished by business segment, is provided below.

<u>Private banking and Banking Services</u>
The main services provided to the private customers of the Bank by the private bankers of the Sales Department include the revenue deriving from contracts for individual portfolio management, trading, trading with advisory services, placement, and all agreements associated with a current account (cash services, payments, money management, debit cards, credit card loans, home banking, etc.) All performance obligations are defined by formalised contracts. If the contracts include the performance of distinct services, the revenue pertaining thereto is:

- recorded separately on the basis of standalone sale prices defined contractually (as in the case of fees for services of individual portfolio management, trading and order execution on financial instruments, placement and of fees for the transmission of documents, reports and communications);
- recorded on the basis of the mandatory service performed if the services cannot be separated within the context of the contract because one constitutes the input of the other (as in the case of the combination of the advisory and securities custody services) or because they are interdependent, not separable and not sold individually (as in the case of banking services associated with a current account).

Depending on the way the services are performed, revenue is recorded accurately (e.g. in the case of fees for trading, collection and payment and subscription) or, in case of services performed over time, based on the value that the services completed until the considered date have for the customer, corresponding to the amount provided by the contract.
Individual portfolio management contracts provide for the debiting (with annual or less than annual frequency) of variable overperformance fees with respect to reference parameters. The determination of these fees depends on the result achieved at the end of the reference period, which cannot be estimated on the occasion of the quarterly measurements, since it is not highly probable that when, subsequently, the uncertainty associated with the variable consideration is resolved, there will be no significant downwards adjustment of the amount of the recorded cumulated revenue; these fees are affected by external factors with respect to the management activity of the bank (such as market volatility and the performance of the reference parameter).

Institutional customers

The main services provided by the Institutional Customers Organisational Unit of the Bank include: the asset management services performed on appointment by UCIs, the management and trading services targeted to corporate customers and to qualified counterparties, the services targeted to listed issuers (specialist operator services, qualified operator services, analyst coverage, centralised management, etc.).
All performance obligations are defined by formalised contracts. Management and trading services are recognised according to the same rules envisaged for private customers.
Services directed to listed issuers are carried out over time, because customers benefit from the activity carried out continuously and they are consequently recognised based on the value for customers of the services transferred until the date considered on the basis of the amount the Bank is entitled to receive (with the exception of the service of financial analysis and the production of research as part of the analyst coverage service, whose revenue is recognised at the date of issue of the research).
Centralised management services can be sold on the basis of individual modules or as packages; in this case, the value of the service provided consists of the single fee envisaged for the different services included in the package and any discount with respect to the acquisition of the individual services is allocated proportionately among the different mandatory services performed. If the contracts include services whose revenue is recognised exactly at the time of execution, the portion referred to these services is recorded at the time of performance or, if the services were not performed within the reference period of the contract, at its periodic expiration.

Advisory and Corporate Finance

"Advisory services on financial structure" rendered to corporate customers by the Advisory & Corporate Finance Organisational Unit to provide assistance to customers in major corporate finance matters (mergers & acquisitions, listings and IPOs, company appraisals, industrial and financial restructuring, project financing, strategic consultancy), are defined by formalised contracts. Depending on the type of assistance provided, the contract may entail the performance of different activities, which, however, are necessary inputs for the achievement of the objective provided for by the contract and, therefore, are inseparable and included in a single mandatory service. This service is considered completed over time regardless of the envisaged invoicing timelines because: the customer benefits from the assistance service rendered by the Bank on a continuous basis; performance of the activity does not present an alternative use for the Bank, being carried out exclusively for the Customer according to his/her specific characteristics and requirements; any adaptation of the activities performed for another use is subject to practical limitations because the specifications of the activities carried out are unique for that Customer; throughout the duration of the agreement, the Bank is entitled to require payment of the service completed up to the date considered even if the contract is terminated by the Customer for reasons other than the Bank's failure to perform. However, if the assistance contract requires issuing a declaration of appropriateness for the purposes of listing, the connected fees are recognised exactly, as the Customer receives the benefits deriving from fulfilling the obligation to obtain listing on the market only on the issue date.

Any success or performance fees are instead recognised only in case of formalisation of the transactions and when the conditions underlying their ascertainment are met; these are variable fees which the Bank cannot determine in a highly probable manner before the "resolution of the uncertainty" associated with the fees themselves, being conditioned by factors on which the Bank has no control (such as actions performed by third parties: customers, investors or lenders).
Quantitative information is provided:

- in part B - Information on the Statement of financial position in section 4 - Financial assets valued at amortised cost, quantitative information is provided regarding assets/liabilities from contracts with customers not debited in the current accounts based on a breakdown by type of service.
- in part C - Information on the income statement in section 2 - Commissions, quantitative information is provided regarding the revenue from contracts with customers based on a breakdown by type of service.
- in part L of the Consolidated Financial Statements - Segment information provides quantitative information relating to the revenue from contracts with customers, broken down by Group business segments represented on the basis of a breakdown by type of service and a breakdown by assessment method.

Costs

Costs are recognised when they are incurred in compliance with the criterion of correlation between costs and revenue that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenue are immediately recognised in the Income Statement.
Costs directly attributable to financial instruments at amortised cost, determinable from the start, regardless of the moment when they are paid, are included in the Income Statement by applying the effective interest rate.
Interest is recognised on an accruals basis that considers the effective yield of the asset.
Negative income components accrued on financial assets are recognised in the item “Interest and similar expense”, an item that also includes interest expense on lease payables (while Interest and similar income includes interest from subleases).
Rents payable for property leases, company vehicles and other assets falling within the scope of IFRS 16 are not recognised under Administrative expenses (as was the case under the previous IAS 17); against the recognition of the rights of use deriving from lease agreements, impairment losses are recorded due to the depreciation of the right of use calculated on a straight-line basis according to the duration of the contract or the useful life of the right itself, while, against the recognition of the payable for the fees due for the rights of use, accrued interest expense is recorded.
Administrative expenses (Personnel expenses and Other administrative expenses) include short-term lease payments and low-value lease payments as well as variable payments for lease payments not included in the valuation of lease payables and the VAT component, if non-deductible.
"Sundry expenses" also include the depreciation of leasehold improvements acquired through leases classified as "Other assets".

4. Classification of financial assets

The classification of financial assets in the three categories envisaged by IFRS 9 depends both on the business model with which the financial instruments are managed and on the contractual characteristics of the cash flows of the financial assets (or SPPI Test). The combination of these two elements results in the classification of financial assets as follows:

- Financial assets at amortised cost: assets that pass the SPPI test and fall within the Held to Collect (HTC) business model;
- Financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Held to Collect and Sell (HTCS) business model;
- Financial assets at fair value through profit or loss (FVTPL): this is a residual category that includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of the contractual flows (failing the SPPI test).

SPPI test

The Standard requires financial assets to be classified also on the basis of the characteristics of the contractual cash flows. The SPPI test requires the determination of whether the contractual cash flows consist of Solely Payments of Principal and Interest on the principal amount outstanding) (IFRS 9 - B4.1.7).

Contractual cash flows may be consistent with the definition of a "basic lending arrangement" even if the credit risk will be offset. Moreover, the interest rate can also include an additional fee that takes into account other risks such as liquidity risk or administrative costs. The possibility of obtaining a profit margin is also consistent with the definition of "basic lending arrangement" (IFRS 9 - B4.1.7A).

Contractual features that introduce an exposure to risks or volatility unrelated to "basic lending arrangements", such as exposure to changes in equity prices or commodity prices, do not meet the definition of Solely Payments of Principal and Interest on the principal amount outstanding.

Therefore, the SPPI test is aimed at identifying all the contractual characteristics that may show payments other than those relating to the principal and interest accrued on the principal amount outstanding.

Only if the test is passed can the instrument be accounted for, depending on the business model identified, at amortised cost or at fair value through OCI.

The test will only be necessary if the adopted business model is "Collect" or "Collect and Sell". Conversely, if the instrument is managed according to the residual business model, the instrument will be accounted for at fair value regardless of the characteristics of the contractual cash flows.

Business Model

The business model represents the way in which the Bank manages its financial assets, i.e. with which it intends to realise the cash flows of debt instruments. It reflects the way in which groups of financial assets are collectively managed to pursue a specific business objective and does not depend on management's intentions with respect to a single instrument but is set at a higher level of aggregation.

The definition of the Bank's business model takes into consideration all the useful elements that emerge both from the strategic objectives defined by the top management and from elements relating to the organisation structure of the structures in charge of the management of assets and the methods for defining the budget and evaluating their performance. The method of management is defined by the top management through the appropriate involvement of the business structures. The business model does not depend on the intentions of the management with respect to a single instrument, but rather refers to the way in which homogeneous portfolios are managed in order to achieve a given objective.

The business model is defined on the basis of several elements, such as (IFRS 9 - B4.1.2B):

- How the performance of the business model and the financial assets held within that business model are assessed and reported to the entity's key executives;
- The risks that affect the performance of the business model and the ways those risks are managed;
- How managers of the business are remunerated - e.g. whether the remuneration is based on the fair value of the assets managed or on the cash flows collected.

The drivers used to assess the performance of the various business models identified and the type of reporting produced are elements to be considered for the correct attribution of the business model. In particular, performance and reporting could be based on information on fair value or interest received, depending on the purpose for which the assets are held.

Adequate monitoring, escalation and reporting is essential to ensure proper management of risks that may affect portfolio performance.

The possible business models set out in the Standard are as follows:

- “Hold to collect”: requires the realisation of contractually envisaged cash flows. This business model is attributable to assets that will presumably be held until their natural maturity (IFRS 9 - B4.1.2C).
- “Collect and Sell”: envisages the realisation of cash flows as provided for in the contract or through the sale of the instrument. This business model is attributable to assets that may be held to maturity, but also sold (IFRS 9 – B4.1.4).
- “Sell”: this model is directed at realising cash flows by selling the instrument. This business model is attributable to assets managed with the objective of realising cash flows through sale - known as "trading" - (IFRS 9 – B4.1.5).

The measurement of the business model to be attributed to the portfolios is carried out on the basis of the scenarios that could reasonably occur (IFRS 9 B4.1.2A), considering all relevant and objective information available at the measurement date.

In the event that the cash flows are realised in a way that is different from initial expectations considered in the definition of the business model, this realisation will not:

- change the classification of the remaining assets held in that business model;
- give rise to a prior-period error in the entity's financial statements.

However, information on how the cash flows of the target portfolio were realised in the past, together with other relevant information, will necessarily have to be taken into account prospectively when classifying the subsequent purchase/recognition of a new asset in the financial statements. The business model must be attributed at the level of the portfolio, sub-portfolio or individual instrument, where these best reflect the way assets are managed (IFRS 9 - B4.1.2).

5. Methods for determining amortised cost

The amortised cost of a financial asset or a financial liability is in general the amount at which the financial asset or financial liability is measured at initial recognition minus principal reimbursements, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any impairment loss.

The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates).

If it is not possible to estimate reliably the cash flows or the expected life, the Bank uses the expected contractual cash flows for the entire period of validity of the contract.

Subsequent to initial recognition, the amortised cost allows to allocate revenue and costs deducted from or added to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the measured financial assets/liabilities have a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, they are linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the repayment plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry.

Measurement at amortised cost is carried out for financial assets and liabilities at amortised cost (loans and receivables with/due to banks and loans and receivables with/due to customers) and for financial assets at fair value through other comprehensive income. For the latter, the amortised cost is calculated for the sole purpose of recognising in the income statement the interest based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific equity reserve.

6. Methods for determining impairment losses

IFRS 9 envisages a model for determining prospectively impairment losses, which requires the immediate recognition of losses on receivables even if only expected, contrary to IAS 39, which requires, for their recognition, the examination of past events and current conditions.

At the end of each reporting period, in accordance with IFRS 9, financial assets other than those at fair value through profit or loss are measured to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to lend funds and guarantees given that fall within the scope of impairment pursuant to IFRS 9.

In the event that such evidence exists (known as "impairment evidence"), the financial assets in question - consistently, where existing, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in stage 3. Against these exposures, represented by financial assets classified - in accordance with the provisions of Bank of Italy's Circular no. 262/2005 - in the categories of bad loans, unlikely to pay and past due by more than ninety days, impairment losses equal to the full lifetime expected credit loss must be recognised.

For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary, instead, to check whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this test from the point of view of classification (or, more properly, staging) and measurement, are as follows:

- where such indicators exist, the financial asset is included in stage 2. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of impairment losses equal to the full lifetime expected credit loss of the financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of "significantly increased" credit risk no longer exist - the changed forecast period for calculating the expected loss;
- where such indicators do not exist, the financial asset is included in stage 1. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of 12-month expected credit losses for the specific financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of "significantly increased" credit risk arise - the changed forecast period for calculating the expected loss;

With regard to the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being measured in stage 2), the elements that - pursuant to the standard and its operational breakdown carried out by the Bank - constitute the main determinants to be taken into consideration are as follows:

Quantitative criteria:

a) in the event of a worsening of the Lifetime Probability of Default compared to the origination of the loan, differentiated by type of customer (retail and corporate) and by rating class, as shown below:

Changes in Probability Of Default

Rating class	Retail customers	Corporate customers
AAA	250%	300%
AA	250%	300%
A	250%	300%
BBB	250%	300%
BB	200%	200%
B	200%	100%
CCC	50%	80%
CC	30%	30%
C	30%	30%

b) for exposures backed by collateral, where there is a 50% decrease in the value of the collateral compared with its value at the date of origin;

c) exposures with a past due date of more than 30 days (even partial) recognised at the report date in the monthly survey (or in the previous 5 monthly surveys) regardless of the counterparty and without tolerance thresholds;

d) on-demand loans with both of the following irregular trends:
   1) presence of operating tension: average percentage of use of the credit line granted, calculated over the last 180 days, of more than 80%;
   2) absence of changes in assets in the last 180 days.

Qualitative criteria:

a) forborne performing exposures in relation to a financial difficulty of the debtor;

b) exposures with irregular trends monitored by the Bank's Credit Committee;

c) exposures to counterparties for which prejudicial information has been acquired. This requirement is to be considered valid also for prejudicial information relating to the guarantors.

A financial asset is considered non-performing and allocated to stage 3 if one or more events that have a negative effect on expected cash flows occurred. In particular, the observable data relating to the following events constitute evidence of impairment of the financial asset:

- significant financial difficulties of the debtor (also based on the financial statement analysis such as, for example, negative changes in the debt ratio or the capacity to cover financial expenses);
- breach of contractual clauses (such as a default or past-due event of more than 90 days);
- classification in category "D - Defaulted" within the CSE outsourcing rating model;
- a lender having granted a concession to the debtor - for economic or contractual reasons relating to the debtor's financial difficulty - that the lender would not otherwise consider;
- disappearance of an active market for that financial asset because of financial difficulties;
- purchase or issue of a financial asset at a deep discount that reflects the incurred credit losses;

- likelihood that the debtor will declare bankruptcy or be subject to another financial reorganisation procedure.

A performing financial asset at the time of initial recognition and for which one or more of the above events occur must be considered non-performing and placed in stage 3; the allocation in this bucket envisages that:

- the allowance for doubtful receivables is determined as an amount equal to full lifetime expected credit losses of the financial asset;
- interest income is calculated based on the amortised cost i.e. gross book value less the allowance for doubtful receivables;
- the time value is determined, and the expected date of collection is estimated.

For these financial assets, the method for determining the loss is calculated in accordance with IFRS 9 and in line with the provisions of the credit regulations.

Once the allocation of exposures to the various stages of credit risk has been defined, the determination of expected credit losses (ECL) is carried out, at the level of individual transactions or security tranche, starting from the IRB/management approach, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the requirements of IFRS 9.
The determination of the values and calculation methods are detailed in the appropriate Bank Policy.

7. Write-offs

With regard to non-performing loans, it is noted that the gross book value must be reduced if there are no longer reasonable expectations of recovering this financial asset in its entirety or in part. The “write-off” may occur before legal actions for the recovery of the financial asset have ended and does not necessarily involve the waiver of the legal right to recover the receivable by the bank.
The Bank resorts to the cancellation - in whole or in part - of uncollectable financial assets and proceeds to the consequent write-off of the residual value not yet adjusted in the following cases:

- sale of financial assets;
- partial or complete waiver of the receivable claimed following initiatives deriving from specific agreements concluded between the Bank and its customers/debtors;
- irrecoverability of the receivable when, following the actions taken by the Bank, the exposure is not recoverable from certain and precise elements (for example: when in the context of an insolvency procedure it is established that the unsecured exposures will not be repaid; when the debtor is untraceable or is destitute; when it is impossible to initiate actions to recover receivables);
- when, without waiving the credit, there are reasonable elements to indicate that the receivable is not recoverable and the possibilities of recovery are very marginal. In this case, the write-off can only affect the portion of credit covered by provisions.

8.Acquired or originated impaired financial assets

Acquired or originated impaired financial assets (Purchased Originated Credit Impaired - “POCI”) are credit exposures that are non-performing upon initial recognition.
These exposures may arise both from the purchase, from third parties, of non-performing credit exposures and from the restructuring of non-performing exposures that have led to the disbursement of new finance that is significant in absolute or relative terms in proportion to the amount of the original exposure.
These financial instruments follow the same initial classification rules as other financial assets, to be carried out on the basis, on the one hand, of the contractual characteristics of the related cash flows (SPPI Test) and, on the other, of the management intent (business model) for which the instruments in question are held. In the event that the financial instruments in question, based on the combined effect of the two drivers mentioned above, fall into the categories valued at amortised cost or at fair value with an through other comprehensive income, they must be identified, pursuant

to IFRS 9, as "Purchased or Originated Credit Impaired Assets" ("POCI"). In case of failure of the SPPI Test, the financial instruments must be recognised at FVTPL.
The "acquired or originated impaired financial assets" are conventionally classified initially as part of Stage 3 since the expected credit loss must always be calculated considering a time horizon equal to the residual duration. If, following an improvement in the creditworthiness of the counterpart after initial recognition, the assets are found to be "performing", they can be reclassified as part of Stage 2.

In line with the criteria established by the Policy currently in force, the Bank defines the application choices regarding Originated Credit Impaired Assets - POCI, as follows:

- loans granted to customers already designated by the Bank as having a high credit risk profile ("non-performing assets").
  The Bank believes that the designation "POCI" only applies where the new loan disbursed exceeds 30% of the existing exposure and the economic conditions (interest) are significantly worse than those in place. In other words, these are cases in which the new credit exposure is the result of the derecognition of a previous credit relationship to which substantial contractual changes have been made.

- loans granted to new customers with a high credit risk profile.
  In cases of loans granted to new customers with a high credit risk profile ("non-performing assets"), the issue of classification is closely related to whether or not the SPPI test is passed. If the SPPI test is passed, the financial asset will be valued at amortised cost or fair value with through other comprehensive income based on the business model adopted and will be considered a POCI.

At 31 December 2021, there are no acquired or originated impaired financial assets in the Bank's portfolio.

9. Assets/Liabilities at fair value
The Bank did not use the fair value option referred to in IFRS 9: therefore, the relevant asset and liability items in the statement of financial position and income statement are not shown in the financial statements as they are not measured.

A.3 – Information on transfers between portfolios of financial assets

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. However, such cases are expected to be highly infrequent.

A.3.1 - A.3.2 - A.3.3 - No transfers were made between portfolios of financial assets during the year due to a change in the business model.

A.4 Information on fair value

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

A.4.2 - Processes and sensitivity of evaluations

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Bank are shown below.

The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (Level 1), or on internal valuation models, in the case of all other financial instruments.

If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation techniques the purpose of which is to establish the price of a hypothetical independent transaction, motivated by normal market consideration, at the date of valuation.

Regarding the valuation techniques, the following are taken into account:

- if available, the prices of recent transactions involving similar instruments, suitably adjusted to reflect the changed market conditions and the technical differences between the valued instrument and the instrument selected as similar in nature (comparable approach);
- valuation models widely used by the financial community, which have proved over the years capable of producing reliable estimates of prices, with respect to the current market conditions (Mark-to-Model).

Financial instruments classified as Level 1 instruments include, as a general indication:

- stocks and bonds listed on active markets. The principal 'price source' of securities listed on regulated markets is the relevant stock exchange, and generally corresponds to the price published by the regulated market on which the security is negotiated. For financial instruments listed on the Italian Stock Exchange (Borsa Italiana), the value is determined using the posted price.
- UCIs with official prices expressed by an active market; open-ended UCIs (including ETFs) for which a price listed on an active market is available at the measurement date;
- foreign exchange spot transactions;
- derivatives for which prices are available on an active market (e.g., futures and options).

Lacking prices on an active market, the fair value of financial instruments is calculated according to the "comparable approach" (Level 2), based on the use of valuation models making use of parameters that can be directly observed on the market. In this case, the valuation is not based on the prices of the actual financial instruments being valued, but on prices or credit spreads taken from the official listings of substantially similar instruments, in terms of risk-yield factors, using a certain calculation method (pricing model). This approach translates into the search for transactions on the active markets involving instruments that, in terms of their risk factors, are comparable with the instrument measured.

The valuation techniques used entail:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices - with respect to the same financial instrument - concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

Financial instruments classified as Level 2 instruments include, as a general indication:

- UCIs for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions - concerning the same financial instrument - between independent counterparties, account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives - if they are not traded on regulated markets - are known as Over The Counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

Lastly, the determination of the fair value of certain types of financial instruments is based on valuation models that require the use of parameters that cannot be directly observed on the market and which, therefore, require estimates and assumptions by the valuer (Level 3).

Financial instruments classified as Level 3 instruments include, as a general indication:

- unlisted equity instruments. Equity investments held at cost are also conventionally included among Level 3 instruments;
- UCIs lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-ended UCIs whose last measured NAV was not reported near the measurement date and the closed-ended UCIs whose fair value is derived exclusively on the basis of the NAV. For these UCIs, the NAV used for measurement must prudentially be adjusted to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV. That adjustment is not considered for investments with a lock-up clause in UCIs managed directly by Group companies, investments which are part of a strategy aimed at aligning interests with those of investors to promote new funds;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;

- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

Level 3 instruments also include financial instruments priced by the Bank based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

A.4.3 - Fair value hierarchy

With the introduction of IFRS 13, the rules for measuring the fair value previously included in multiple accounting standards were set out in a single standard.
The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial instrument, IFRS 13 refers to the concept of hierarchy of the measurement criteria used, which was at the time introduced by an amendment to IFRS 7 that required the company to classify the measurements based on a hierarchy of levels that reflects the significance of the inputs used in the measurement of financial instruments.

This classification aims to establish a hierarchy in terms of reliability of fair value depending on the degree of discretion applied by enterprises, giving priority to the use of parameters observable on the market reflecting the assumptions that market participants would use when pricing the asset/liability.

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by (unadjusted) quoted prices in active markets - as defined by IFRS 13 - for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the assets or liabilities subject to measurement, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

The choice between these types is not optional but must be done in a hierarchical order, since priority is given to official prices on active markets (level 1); in the absence of such inputs, we use valuation techniques based on parameters that cannot be observed on the market (level 2); with a lower and more discretionary priority, the fair value of assets and liabilities calculated with valuation techniques based on parameters that cannot be observed on the market (level 3).

The valuation method and, as a result, transfers among the levels of the fair value hierarchy of a financial instrument are altered only if there are significant changes in the market or subjective conditions of the issuer of the financial instrument.
IFRS 13 contemplates that, as already indicated by IFRS 7, the instruments at amortised cost are provided with fair value disclosure.
Within the Bank, the following approaches were identified for calculating the fair value:

Assets at amortised cost

For financial assets recognised in the financial statements at amortised cost, classified in the accounting category of "Financial assets at amortised cost" (loans and receivables with banks and customers) in particular:

- for medium/long-term performing loans (mainly mortgages and leases), the fair value is determined on the basis of cash flows, suitably adjusted for expected losses, on the basis of the PD and LGD parameters. These cash flows are discounted on the basis of a market interest rate adjusted to take account of a premium deemed to express risks and uncertainties;

- for "non-performing" loans (bad loans, unlikely to pay, past due), the fair value is assumed to be equal to the net book value. In this regard, it should be noted that the market for non-performing loans is characterised by a significant illiquidity and a high dispersion of prices according to the specific characteristics of the loans. The absence of observable parameters that could be used as a reference for measuring the fair value of exposures comparable to those being measured could therefore lead to a wide range of possible fair values; for this reason, for the purposes of financial reporting, the fair value of non-performing loans is shown as the book value;
- for debt securities classified in the "Loans and receivables with banks or customers" or the "Securities issued" portfolio, the fair value was determined by using prices obtained on active markets or by using valuation models, as described in the previous paragraph "Fair value levels 2 and 3: valuation techniques and inputs used".
- The fair value of loans and receivables with customers and banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined.

Due to banks and customers
These are entered at their nominal value that is usually equal to the amount received initially by the Bank. This value can be reasonably approximated to the fair value in that the Bank can meet its payables thanks to high levels of capitalisation.

Securities issued
The item concerns the bonds issued by the Bank and recorded at amortised cost. The fair value is determined through the use of a model that takes into account the indexation parameter of the loan and a pre-established spread.

A.4.4 Other information

The Bank does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of IFRS 13.

Quantitative information

A.4.5 Fair value hierarchy

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

Assets/Liabilities at fair value	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	2,924	26,259	1,545	2,021	23,994	1,213
a) financial assets held for trading	2,924	5,955	448	2,021	4,826	-
b) financial assets at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	20,304	1,097	-	19,168	1,213
2. Financial assets at fair value through other comprehensive income	330,352	500	15,276	328,624	-	11,942
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	333,276	26,759	16,821	330,645	23,994	13,155
1. Financial assets held for trading	989	176	900	-	40	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	989	176	900	-	40	-

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

It should be noted that the Bank also recognises equity investments in subsidiaries at fair value, which are classified as level 3 of the fair value hierarchy. For information on the valuation methods adopted, please refer to the Accounting Policies.

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 other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) Financial assets at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	1,345	-	-	1,213	11,942	-	-	-
2. Increases	7,521	7,515	-	6	3,551	-	-	-
2.1. Purchases	7,520	7,514	-	6	-	-	-	-
2.2. Profits recognised to:	1	1	-	-	3,551	-	-	-
2.2.1. Income Statement	1	1	-	-	-	-	-	-
- of which capital gains	1	1	-	-	-	-	-	-
2.2.2. Equity	-	X	X	X	3,551	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	7,189	7,067	-	122	217	-	-	-
3.1. Sales	7,067	7,066	-	1	-	-	-	-
3.2. Reimbursements	-	-	-	-	180	-	-	-
3.3. Losses recognised to:	122	1	-	121	37	-	-	-
3.3.1. Income Statement	122	1	-	121	-	-	-	-
- of which capital losses	118	-	-	118	-	-	-	-
3.3.2. Equity	-	X	X	X	37	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	1,677	448	-	1,097	15,276	-	-	-

Items 2.1 purchases and 3.1 sales a) Financial assets held for trading equal to 7,514 thousand euros and 7,066 thousand euros, respectively, relate to the value of the purchase from Covivio and simultaneous sale to Enpaf of 8.9% of Investire's SGR S.p.A.'s share capital the amounts include the Earn Out. The transaction is illustrated in detail in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations/Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian) published on 21 January 2021.

Item 2.2.2. Profits recognised in equity of financial assets valued at fair value with an through other comprehensive income of 3,551 thousand euros relate SIA S.p.A.'s share valuation.

Item 3.2. Reimbursements of 180 thousand euros relate to the Real Estate Roma Olgiata shares and relate to the partial repayment of a capital payment.

Item 3.3.1. Losses recognised to: the Income Statement mainly concerns the capital loss recorded on the Apple Fund for 106 thousand euros and on the Carige shares held through the FITD Voluntary Scheme for 12 thousand euros for the Assets compulsorily measured at fair value.

Item 3.3.2. Losses recognised to: Equity of 37 thousand euros relates to the write-down of the CSE shares.

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

At the reporting date in question, there are no balances recognised to the item in question.

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

Assets/Liabilities not at fair value or at fair value on a non-recurring basis	31.12.2021				31.12.2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	1,331,965	752,318	2,588	595,291	1,299,643	863,624	-	458,190
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	1,331,965	752,318	2,588	595,291	1,299,643	863,624	-	458,190
1. Financial liabilities at amortised cost	1,653,866	-	-	1,653,866	1,557,962	-	-	1,557,962
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	1,653,866	-	-	1,653,866	1,557,962	-	-	1,557,962

Key:
BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

The Bank has never carried out fair value measurements on a non-recurring basis for assets and liabilities.

A.5 Information on day one profit/loss

The Bank has not recorded in the year under review any positive/negative items arising from the initial fair value measurement of financial instruments.

Part B – Information on the statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31.12.2021	Total 31.12.2020
a) Cash	643	547
b) Demand deposits at Central Banks	227	163
c) Current accounts and demand deposits with banks	78,456	40,348
Total	79,326	41,058

Starting from the financial year in question, as envisaged by the 7th update of Bank of Italy Circular no. 262/2005, the item also includes current accounts and demand deposits with banks previously recognised in item 40. Financial assets at amortised cost: a) loans and receivables with banks. Therefore, the balance at 31 December 2020 was reclassified. As of 31 December 2021, the total net impairment losses for credit risk on current accounts and demand deposits with banks amounted to 68 thousand euros (of which 27 thousand euros in the year in question).

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

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	506	300	-	553	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	506	300	-	553	-	-
2. Equity instruments	1,055	-	-	1,341	-	-
3. UCI units	45	5,653	-	52	4,824	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,606	5,953	-	1,946	4,824	-
B. Derivatives						
1. Financial derivatives	1,318	2	448	75	2	-
1.1 held for trading	1,318	2	448	75	2	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	1,318	2	448	75	2	-
Total (A+B)	2,924	5,955	448	2,021	4,826	-

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

The financial assets held for trading amounted to 9,327 thousand euros. The balance at 31 December 2020 amounted to 6,847 thousand euros.

The item “A.1. Debt securities” equal to 806 thousand euros (553 thousand euros at 31 December 2020) is made up in Level 1 almost exclusively of bonds for 505 thousand euros and in Level 2 of the Net Insurance bond 28/9/31.

Item "A.3. UCI units" amounting to 5,698 thousand euros (4,876 thousand euros at 31 December 2020) includes in Level 1: New Millennium Funds of 31 thousand euros and QF Immobilium Fund of 14 thousand euros; in Level 2: units of New Millennium Funds of 5,653 thousand euros.

Item "B. Derivative instruments" in level 1 concerns General options for 1,244 thousand euros and warrants for 74 thousand euros, in level 2 the positive evaluation of forward contracts for the purchase and sale of currencies and in Level 3 the value of the earn-outs relating to the purchase and sale of shares InvestiRE SGR S.p.A. The transaction is fully illustrated in the "Information document relating to transactions of greater significance with related parties" published on the Bank's website www.bancafinnat.it Investor Relations/Corporate Governance section/Information document for transactions with associated parties and attachments published on 21 January 2021.

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

Items/Amounts	Total 31.12.2021	Total 31.12.2020
A. Cash assets		
1. Debt securities	806	553
a) Central Banks	-	-
b) Public administrations	2	4
c) Banks	19	13
d) Other financial companies	300	-
- of which: insurance companies	300	-
e) Non-financial companies	485	536
2. Equity instruments	1,055	1,341
a) Banks	-	-
b) Other financial companies	425	363
- of which: insurance companies	295	232
c) Non-financial companies	630	978
d) Other issuers	-	-
3. UCI units	5,698	4,876
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
- of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	7,559	6,770
B. Derivatives		
a) Central counterparties	1,244	-
b) Other	524	77
Total B	1,768	77
Total (A+B)	9,327	6,847

The item UCI units includes: 1,366 thousand euros of bond funds, 4,318 thousand euros of equity funds and 14 thousand euros of real estate funds.

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

Items/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	1,001	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	-	1,001	-	-	-	-
2. Equity instruments	-	-	6	-	-	15
3. UCI units	-	19,303	1,091	-	19,168	1,198
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	20,304	1,097	-	19,168	1,213

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

The item Other financial assets mandatorily measured at fair value amounts to 21,401 thousand euros (20,381 thousand euros at 31 December 2020) and includes among the debt securities exclusively the subordinated bond ITAS 12/31 (level 2); among equity instruments (level 3) exclusively two ATAC financial equity instruments; among UCIs units in Level 2, units of the FIP fund for 15,250 thousand euros, of the New Millennium funds for 2,859 thousand euros, of the Thema fund for 1,019 thousand euros, of the BFE Revalue fund for 175 thousand euros (fully consolidated) and in level 3 units of the Apple fund for 1,091 thousand euros.

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

Items/Amounts	Total 31.12.2021	Total 31.12.2020
1. Equity instruments	6	15
of which: banks	-	12
of which: other financial companies	-	-
of which: non-financial companies	6	3
2. Debt securities	1,001	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	1,001	-
of which: insurance companies	1,001	-
e) Non-financial companies	-	-
3. UCI units	20,394	20,366
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	21,401	20,381

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

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

Items/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	329,791	500	-	328,193	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	329,791	500	-	328,193	-	-
2. Equity instruments	561	-	15,276	431	-	11,942
3. Loans	-	-	-	-	-	-
Total	330,352	500	15,276	328,624	-	11,942

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

Financial assets at fair value through other comprehensive income totalled 346,128 thousand euros (340,566 thousand euros at 31 December 2020).

Item 1. Debt securities - Level 1 consists mainly of Government Bonds. Level 2 relates exclusively to a Net Insurance bond 28/9/31. At 31 December 2021, total net impairment losses on credit risk on these securities amounted to 79 thousand euros. The value is recognised in item 110. Valuation reserves (after taxes) instead of as an adjustment to this item. In the year in question, net impairment losses amounting to 23 thousand euros were recognised.

Item 2.Equity instruments consist of the following strategic investments:

- Level 1: Net Insurance S.p.A. (561 thousand euros including the positive valuation reserve equal to 270 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (2,053 thousand euros including the positive valuation reserve equal to 978 thousand euros), SIA S.p.A. (9,802 thousand euros including the positive valuation reserve equal to 8,681 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,420 thousand euros including the negative valuation reserve equal to 84 thousand euros), SIT S.p.A. (15 thousand euros) and Real Estate Roma Olgiata S.r.l. (986 thousand euros including the negative valuation reserve equal to 470 thousand euros).

For the inclusion of equity instruments in this portfolio, the irrevocable option was exercised upon initial recognition.

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

Items/Amounts	Total 31.12.2021	Total 31.12.2020
1. Debt securities	330,291	328,193
a) Central Banks	-	-
b) Public administrations	293,766	286,595
c) Banks	12,771	33,600
d) Other financial companies	20,520	7,998
of which: insurance companies	500	-
e) Non-financial companies	3,234	-
2. Equity instruments	15,837	12,373
a) Banks	-	-
b) Other issuers:	15,837	12,373
- other financial companies	2,615	2,484
of which: insurance companies	562	431
- non-financial companies	13,222	9,889
- other	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	346,128	340,566

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

	Gross value					Total impairment losses				Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
Debt securities	330,370	-	-	-	-	79	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	330,370	-	-	-		79	-	-		-
Total 31.12.2020	328,293	-	-	-	-	100	-	-	-	-

(*) Value to be disclosed for information purposes.

The gross value corresponds to the book value of the debt securities only, increased by the total impairment losses.

3.3a Financial assets at fair value with through other comprehensive income subject to Covid-19 support measures: gross value and total impairment losses

At 31 December 2021, there are no financial assets at fair value through other comprehensive income subject to Covid-19 support measures.

Section 4 - Financial assets at amortised cost – Item 40

4.1 Financial assets at amortised cost: breakdown by product of loans and receivables with banks

Type of transactions/Amounts	Total 31.12.2021						Total 31.12.2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	Acquired or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Acquired or originated impaired	L1	L2	L3
A. Loans and receivables with Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Time deposits	-	-	-	X	X	X	-	-	-		X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	54,372	-	-	-	-	54,372	52,619	-	-	-	-	52,619
1. Loans	54,372	-	-	-	-	54,372	52,619	-	-	-	-	52,619
1.1. Current accounts and demand deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	40,306	-	-	X	X	X	42,652	-	-	X	X	X
1.3. Other loans:	14,066	-	-	X	X	X	9,967	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
- Other	14,066	-	-	X	X	X	9,967	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	54,372	-	-	-	-	54,372	52,619	-	-	-	-	52,619

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

Loans and receivables with banks totalled 54,372 thousand euros (52,619 thousand euros at 31 December 2020). Starting from the financial year in question, as envisaged by the 7th update of the Bank of Italy Circular no. 262/2005, the item no longer includes current accounts and demand deposits with banks which are instead allocated to item 10. Cash and cash equivalents. Therefore, the balance at 31 December 2020 was reclassified, equal to 40,348 thousand euros.

Item B.1.2. Time deposits of 40,306 thousand euros refers to an interbank deposit with maturity 4 January 2022 for 33,899 thousand euros and the Compulsory reserve deposited by BFF Bank S.p.A. for 6,407 thousand euros (both amounts after collective write-down). At 31 December 2020 the Compulsory reserve amounted to 6,653 thousand euros.

Item B.1.3 Other loans related to guarantee margins on derivatives.

At 31 December 2021, total net impairment losses on credit risk to banks amounted to 18 thousand euros. In the year under review, the balance of net impairment losses is equal to zero.

4.2 Financial assets at amortised cost: breakdown by product of loans and receivables with customers

Type of transactions/Amounts	Total 31.12.2021						Total 31.12.2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	Acquired or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Acquired or originated impaired	L1	L2	L3
1. Loans	500,316	23,055	-	-	-	540,919	366,861	21,523	-	-	-	405,571
1.1. Current accounts	200,691	2,159	-	X	X	X	164,423	562	-	X	X	X
1.2. Reverse repurchase agreements	25,997	-	-	X	X	X	22,602	-	-	X	X	X
1.3. Mortgages	159,629	9,094	-	X	X	X	160,965	9,410	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	113,999	11,802	-	X	X	X	18,871	11,551	-	X	X	X
2. Debt securities	754,222	-	-	752,318	2,588	-	858,640	-	-	863,624	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	754,222	-	-	752,318	2,588	-	858,640	-	-	863,624	-	-
Total	1,254,538	23,055	-	752,318	2,588	540,919	1,225,501	21,523	-	863,624	-	405,571

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

Loans and receivables with customers totalled 1,277,593 thousand euros (1,247,024 thousand euros at 31 December 2020).

At the reporting date of these Financial Statements, the items relating to current accounts, mortgages and other loans include non-performing assets (Bucket 3) totalling 50,061 thousand euros (23,055 thousand euros net of write-downs) comprising:

- bad loans totalling 35,863 thousand euros (11,789 thousand euros net of write-downs), referring to the following positions:
  - 4,572 thousand euros (1,043 thousand euros net of write-downs) for the residual amount of a mortgage terminated on 8 July 2011. The transaction was backed by a first degree mortgage guarantee on real estate, whose valuation is supported by a specific appraisal. In July 2021, the assets were allotted at auction and the Bank is waiting to receive the amount due from the Court, on the basis of the distribution project currently being approved, which should fully cover the value of the net exposure;
  - 15,249 thousand euros (3,054 thousand euros net of write-downs) relating to a receivable for a loan due from Bio-On. The estimate of the presumed realisable value of the receivable remained unchanged with respect to that calculated for the purposes of the 2019 Annual Report, and confirmed on preparation of the 2021 Annual Report.
  - 8,242 thousand euros (5,407 thousand euros net of write-downs) referring to a mortgage terminated on 24 December 2020 backed by first degree mortgage guarantees on property and other collateral that largely cover the value of the net exposure.
  - 7,800 thousand euros, of which 1,153 thousand euros referring to trade receivables (216 thousand euros net of write-downs) and 6,647 thousand euros (2,069 thousand euros net of write-downs) to receivables relating to cash loans.

  The line-by-line write-downs carried out therefore totalled 24,074 thousand euros (including 937 thousand euros referring to trade receivables), with a total coverage rate of 67%.

- unlikely-to-pay totalling 13,090 thousand euros (10,187 thousand euros net of write-downs), comprising:
  - current account overdraft facilities and other loans for collectable interests amounting to a total of 2,986 thousand euros (2,127 thousand euros net of write-downs);
  - mortgages amounting to 10,044 thousand euros, of which 922 thousand euros in overdue instalments and 9,122 thousand euros in principal maturing (8,048 thousand euros net of write-downs);
  - trade receivables of 60 thousand euros (12 thousand euros net of write-downs).

  The itemised write-downs totalled 2,903 thousand euros (of which 48 thousand euros referring to trade receivables);

- other positions expired or past due by over 90 days amounting to 1,108 thousand euros (1,079 thousand euros net of write-downs).

At 31 December 2021 there were 47 "forborne" exposures, of which:

- 21 non-performing positions totalling 39,141 thousand euros (18,928 thousand euros net of write-downs), of which 3 positions included among bad loans of 26,504 thousand euros, 17 positions included among unlikely-to-pay of 12,362 thousand euros and one position included among past due of 275 thousand euros.
- 26 performing positions totalling 15,728 thousand euros.

At 31 December 2021, the Bank calculated the write-down of the portfolio for performing loans and receivables with customers in Bucket 1 and Bucket 2 relating to cash loans. This write-down amounted to 1,815 thousand euros, lower than the allocations made for this purpose through 31 December 2020 (equal to 2,741 thousand euros).

In 2021, the Bank recorded in the Income Statement 105 thousand euros for portfolio impairment losses on debt securities; it also recorded 894 thousand euros for net impairment losses on loans and receivables with customers, broken down as follows: 926 thousand euros for portfolio value recoveries, 1,243 thousand euros for specific value recoveries, 2,261 thousand euros for specific impairment losses and 802 thousand euros for cancellation losses.

At 31 December 2021, the allowance for doubtful loans and receivables with customers, excluding securities, reached 28,820 thousand euros, of which 27,005 thousand euros on an itemised basis and 1,815 thousand euros in portfolio impairment losses.

With regard to the Bank, item 1.7. Other loans includes, in addition to bad loans and impaired trade receivables (Bucket 3) totalling 11,802 thousand euros (already commented on as non-performing assets), Deposits for margins with Cassa di Compensazione e Garanzia and ICE Clear Europe Ltd for 90,277 thousand euros (Bucket 1), trade receivables (Bucket 2) for 3,705 thousand euros, a loan falling due for 19,991 thousand euros (Bucket 1) and sublease receivables for 26 thousand euros (Bucket 1).

Item 2.2 Other debt securities relates to Government Bonds for 751,627 thousand euros and to the bond loan for 2,595 thousand euros issued by Growth Market Basket Bond S.r.l., a securitisation company. The total portfolio impairment losses for those securities amounted to 148 thousand euros after utilisation for sales of 124 thousand euros. During the year, net impairment losses of 105 thousand euros were recognised.

For details of the time distribution by residual duration of trade receivables, please refer to Part E Section 4 - Liquidity risk.

Below is a table with the information relating to contracts with customers required by IFRS 15.

Assets/liabilities deriving from contracts with customers not debited in current accounts (IFRS 15)

	Closing balances at 31.12.2021 net of impairment losses	Closing balances at 31.12.2020 net of impairment losses
Trade receivables for activities relating to		
- *advisory & corporate finance*	2,245	2,461
- *specialist*	312	608
- placement	954	792
- management	709	1,053
- services to listed issuers (SEQ, Equity research, Analyst coverage)	70	68
- other services	693	759
Total receivables gross of write-downs	4,983	5,741
Analytical total impairment losses	(985)	(1,701)
Total collective impairment losses on trade receivables	(65)	(223)
Total receivables net of write-downs	3,933	3,817
Liabilities arising from contracts with customers		
- deferred income on issued invoices	(221)	(137)

Receivables for activities deriving from contracts with customers, as per the previous table, are included in item 1.7. Other loans. The analytical impairment losses on these receivables at 31 December 2021 amounted to a total of 985 thousand euros and relate to specialist activity for 25 thousand euros, advisory and corporate finance activity for 958 thousand euros and other services for 2 thousand euros.

Assets recognised against costs to be recovered are not indicated - as required by IFRS 15 paragraph 128 - as these are modest amounts.

4.3 Financial assets at amortised cost: breakdown by debtors/issuers of loans and receivables with customers

Type of transactions/Amounts		Total 31.12.2021			Total 31.12.2020		
		Stages 1 and 2	Stage 3	Acquired or originated impaired	Stages 1 and 2	Stage 3	Acquired or originated impaired
1.	Debt securities	754,222	-	-	858,640	-	-
a)	Public administrations	751,627	-	-	858,640	-	-
b)	Other financial companies	2,595	-	-	-	-	-
	of which: insurance companies	-	-	-	-	-	-
c)	Non-financial companies	-	-	-	-	-	-
2.	Loans to	500,316	23,055	-	366,861	21,523	-
a)	Public administrations	-	-	-	-	-	-
b)	Other financial companies	171,167	125	-	76,240	124	-
	of which: insurance companies	-	-	-	-	-	-
c)	Non-financial companies	165,136	18,382	-	147,650	18,294	-
d)	Households	164,013	4,548	-	142,971	3,105	-
	Total	1,254,538	23,055	-	1,225,501	21,523	-

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

	Gross value					Total impairment losses				Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
Debt securities	754,370	-	-	-	-	148	-	-	-	-
Loans	499,857	-	56,663	50,061	-	1,230	602	27,006	-	41
Total 31.12.2021	1,254,227	-	56,663	50,061	-	1,378	602	27,006	-	41
Total 31.12.2020	1,224,828	-	56,219	47,779	-	1,443	1,483	26,256	-	-

(*) Value to be disclosed for information purposes.

4.4a Loans valued at amortised cost subject to Covid-19 support measures: gross value and total impairment losses

	Gross value					Total impairment losses				Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
1. Loans forborne performing exposure compliant with GL	1,571	-	-	-	-	3	-	-	-	-
B.2 Loans subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	15,272	-	1,484	-	-	170	38	-	-	-
3. Financing subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New loans	12,215	-	-	-	-	17	-	-	-	-
Total 31.12.2021	29,058	-	1,484	-		190	38	-		-
Total 31.12.2020	19,309	-	11,409	-	-	68	560	-	-	-

(*) Value to be disclosed for information purposes.

This table shows details of the gross value and of the total impairment losses broken down by risk stages, for loans, subject to "moratoriums" or other forbearance measures in place at the reference date, or which constitute new liquidity granted through public guarantee mechanisms.

Item 1. Forborne performing exposure compliant with GL shows the information relating to financial assets subject to a moratorium that fall within the scope of the "Guidelines on legislative and non-legislative moratorium on loan repayments applied in the light of the Covid-19 crisis" published by the EBA (EBA/GL/2020/02) and subsequent amendments and additions. At 31 December 2021 there are 2 positions for a total exposure of 1,571 thousand euros. At 31 December 2020 there were 18 positions in place for a total of 18,663 thousand euros.

Item 2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure, information relating to financial assets subject to moratorium referred to in the previous item that no longer comply with EBA GLs is reported. At 31 December 2021 there are 6 positions in place for a total exposure of 16,756 thousand euros.

Item 3. New loans includes 22 loans granted with the support of public guarantees for a total exposure of 12,215 thousand euros. At 31 December 2020 there were 21 loans for a total of 12,055 thousand euros.

Section 7 - Equity investments – Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Place of business	Shareholding %	Voting rights %
A. Wholly-owned subsidiaries				
1. Finnat Fiduciaria S.p.A.	Rome	Rome	100.00	
2. Investire S.G.R. S.p.A.	Rome	Rome	59.15	
3. Finnat Gestioni S.A.	Lugano	Lugano	70.00	
4. Natam Management Company S.A.	Luxembourg	Luxembourg	100.00	
B. Companies subject to joint control				
1. Aldia S.p.A.	Bologna	Bologna	10.00	
2. Liphe S.p.A.	Bologna	Bologna	10.00	
C. Companies subject to significant influence (*)				
1. Imprebanca S.p.A.	Rome	Rome	20.00	

(*) Associate companies

The stake also represents the percentage of voting rights at the shareholders' meetings.

At 31 December 2021 the item amounted to 88,796 thousand euros (78,934 thousand euros at 31 December 2020). For comments on changes, please refer to what is reported at the foot of table 7.5 Equity investments: annual changes.

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

7.3 Significant investments: accounting information

7.4 Non-significant equity investments: accounting information

As indicated in the 7th update of Bank of Italy Circular no. 262 of 22 December 2005, the information relating to the above items need not be provided as the Bank draws up consolidated financial statements.

7.5 Equity investments: annual changes

	Total 31.12.2021	Total 31.12.2020
A. Opening balances	78,934	77,109
B. Increases	10,898	3,468
B.1 Purchases	6,683	-
B.2 Reversals	-	-
B.3 Revaluations	4,191	3,468
B.4 Other changes	24	-
C. Decreases	1,036	1,643
C.1 Sales	-	-
C.2 Impairment losses	-	73
C.3 Write-downs	1,003	1,570
C.4 Other changes	33	-
D. Closing balances	88,796	78,934
E. Total revaluations	57,018	53,830
F. Total impairment losses	5,407	5,698

Item B.1 Purchases related exclusively to the purchase and sale agreement for 8.99% of the share capital of the subsidiary InvstiRE SGR S.p.A. The details of the transaction are illustrated in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations/Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian) published on 21 January 2021.

Item B.3 Revaluations concerns the fair value adjustment of the subsidiaries InvestiRE SGR S.p.A. for 4,002 thousand euros and Finnat Gestioni S.A. for 189 thousand euros.

Item B.4 Other changes refers to the profit realised from the conclusion of the voluntary liquidation of the associate Previra Invest S.p.A. in liquidation, the amount collected from the liquidation is reported in item C.4 Other changes.

Item C.3 Write-downs concerns the fair value adjustment of the subsidiaries Finnat Fiduciaria S.p.A. for Euro 701 thousand and Natam S.A. for Euro 302 thousand.

Item E. Total revaluations shows the adjustment to the overall fair value of subsidiaries equal to 57,018 thousand euros, of which 48,395 thousand euros referring to InvestiRE SGR S.p.A.

Item F. Total adjustments shows the overall impairment made on associates and joint ventures for a total of 5,407 thousand euros, of which 3,897 thousand euros referring to Imprebanca S.p.A. The decrease of 291 thousand euros compared to the previous year relates to the elimination of the adjustments carried out at the time on Previra Invest S.p.A. in liquidation.

The valuation of the subsidiaries was carried out on the basis of the three-year business plan prepared by them by applying the methods used in professional practice. At 31 December 2021 the carrying value of the investments in subsidiaries amounted to 82,153 thousand euros.

The changes in the item Equity investments are shown analytically in the Statement of annual changes in equity investments reported in the attachments to the financial statements.

Section 8 - Property, equipment and investment property – Item 80

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

Assets/Amounts	Total 31.12.2021	Total 31.12.2020
1. Owned assets	4,105	4,331
a) land	1,308	1,308
b) buildings	1,904	2,041
c) furniture	632	656
d) electronic equipment	261	326
e) other	-	-
2. Rights of use acquired through leases	9,130	7,384
a) land	-	-
b) buildings	8,721	6,982
c) furniture	-	-
d) electronic equipment	38	19
e) other	371	383
Total	13,235	11,715
of which: obtained through enforcement of guarantees received	-	-

The Bank owns two offices located in Rome, in Via Parigi 11. A revaluation of 8 thousand euros was carried out on these premises in 1974 and subsequently revaluations were carried out, for a total of 1,216 thousand euros, pursuant to laws no. 576 of 2 December 1975, no. 72 of 19 March 1983 and no. 413 of 30 December 1991.

Furthermore, following the incorporation of Finnat Real Estate S.r.l., which took place in 2014, the Bank recorded, in continuity of values, the tangible assets including entire property located in Rome at Corso Trieste 118.

Point 2 of the table above shows the rights of use relating to lease agreements, as required by the accounting standard IFRS 16.

8.6 Property, equipment and investment property used in operations: annual changes

	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balances	1,308	16,644	2,299	5,065	652	25,968
A.1 Total net impairment	-	7,621	1,643	4,720	269	14,253
A.2 Net opening balances	1,308	9,023	656	345	383	11,715
B. Increases	-	3,542	1	104	137	3,784
B.1 Purchases	-	3,542	1	104	137	3,784
B.2 Expenses for capitalised improvements	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from real estate held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	1,940	581	2,394	149	5,064
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1,940	25	150	149	2,264
C.3 Impairment losses recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	556	2,244	-	2,800
D. Net final inventories	1,308	10,625	632	299	371	13,235
D.1 Total net impairment	-	9,561	1,112	2,626	418	13,717
D.2 Gross final inventories	1,308	20,186	1,744	2,925	789	26,952
E. Valuation at cost						

The property, equipment and investment property described above were recognised at cost plus any directly attributable ancillary charges. They were subjected to depreciation on a systematic basis at constant rates, determined according to the useful life of the assets in question and the period of effective use.

The depreciation rates applied, depending on the useful life of the assets, are as follows: Real Estate 3%, Furniture and Furnishings (excluding works of art) 12%, Plants 15%-20%, Office machines and Electronic equipment 20%, Motor vehicles 25%.

As required by Bank of Italy Circular no. 262, the table of changes in property, equipment and investment property referred only to rights of use.

IFRS 16 - Property, plant and investment property used in operations: annual changes

	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balances	-	10,651	-	56	652	11,359
A.1 Total net impairment	-	3,669	-	37	269	3,975
A.2 Net opening balances	-	6,982	-	19	383	7,384
B. Increases	-	3,542	-	38	137	3,717
B.1 Purchases	-	3,542	-	38	137	3,717
B.2 Expenses for capitalised improvements	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from real estate held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	1,803	-	19	149	1,971
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1,803	-	19	149	1,971
C.3 Impairment losses recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balances	-	8,721	-	38	371	9,130
D.1 Total net impairment	-	5,472	-	56	418	5,946
D.2 Gross final inventories	-	14,193	-	94	789	15,076
E. Valuation at cost						

Section 9 - Intangible assets – Item 90

9.1 Intangible assets: breakdown by asset type

Asset/Amounts	Total 31.12.2021		Total 31.12.2020	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	300	X	300
A.2 Other intangible assets	107	48	138	48
of which software	107	48	138	48
A.2.1 Assets at cost:	107	48	138	48
a) Internally generated intangible assets	-	-	-	-
b) Other assets	107	48	138	48
A.2.2 Assets at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	107	348	138	348

In view of the option envisaged by IFRS 16.4, the Bank decided not to apply the standard to any operating leases on intangible assets. Therefore, the item does not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Item A.1 of 300 thousand euros relates in part to the goodwill resulting from the merger of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A. carried out in 2003. As this is an intangible asset with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. The tests conducted did not show any impairment to record in the income statement.

9.2 Intangible assets: annual changes

	Goodwill	Other Internally generated intangible assets		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balances	300	-	-	2,917	48	3,265
A.1 Total net impairment	-	-	-	2,779	-	2,779
A.2 Net opening balances	300	-	-	138	48	486
B. Increases	-	-	-	60	-	60
B.1 Purchases	-	-	-	60	-	60
B.2 Increases in internal intangible assets	X			-		-
B.3 Reversals	X			-		-
B.4 Positive changes in fair value	-	-	-	-	-	-
- to equity	X					-
- to income statement	X					-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	91	-	91
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	91	-	91
(-) Amortisation	X	-	-	91	-	91
(-) Write-downs	-	-	-	-	-	-
(+) equity	X	-	-	-	-	-
(+) income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final inventories	300	-	-	107	48	455
D.1 Total net impairment losses	-	-	-	2,870	-	2,870
E. Gross final inventories	300	-	-	2,977	48	3,325
F. Valuation at cost						

Key:
DEF: definite duration
INDEF: indefinite duration

The aforementioned intangible assets with a definite duration refer to software licenses. The useful life of the aforementioned intangible assets was estimated at three years, so the assets were subject to amortisation on a straight-line basis with the application of the rate of 33.33%.

Section 10 - Tax assets and liabilities - Items 100 (assets) and 60 (liabilities)

Current tax assets amount to 28 thousand euros (706 thousand euros at 31 December 2020) and essentially regard receivables for Additional IRES.

Current tax liabilities amount to 486 thousand euros (333 thousand euros at 31 December 2020) and include IRES payables from the national tax consolidation for 392 thousand euros, VAT payables to be paid for 84 thousand euros and IRAP payables for 10 thousand euros.

10.1 Deferred tax assets: breakdown

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 1,669 thousand euros (1,605 thousand euros at 31 December 2020) and referred, for 1,299 thousand euros to taxes recognised through profit or loss and for 370 thousand euros to taxes recognised with a corresponding item in equity. The former mainly include the uncompensated portion of the benefits associated with the deductibility in future years of adjustments on loans (516 thousand euros), adjustments on securities (260 thousand euros) and the benefit deriving from the tax value of goodwill which will contribute to the formation of taxable income until 2029 (476 thousand euros). This goodwill of a fiscal nature - of original 21,440 thousand euros - was recorded in 2003 on the occasion of the merger by incorporation of Banca Finnat Euramerica S.p.A. and Finnat Corporate S.p.A. into Terme Demaniali di Acqui S.p.A.
Deferred tax assets as a balancing entry in equity relate exclusively to taxes on negative valuation reserves relating to Financial assets at fair value through other comprehensive income (277 thousand euros) and the recognition of actuarial losses on the Provisions for post-employment benefits (93 thousand euros).

10.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 2,183 thousand euros (1,950 thousand euros at 31 December 2020) and are recognised through profit or loss for 104 thousand euros and as a balancing entry in equity for 2,079 thousand euros. The latter concern taxes on positive valuation reserves relating to Investments in subsidiaries measured at fair value (784 thousand euros) and to Financial assets measured at fair value through other comprehensive income (1,295 thousand euros).

Deferred tax assets and liabilities have been determined applying the IRES rate, any additional IRES and, where applicable, the IRAP rate in force at the date of preparation of this report.

10.3 Changes in deferred tax assets (offset in the income statement)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	1,489	1,670
2. Increases	43	37
2.1 Deferred tax assets recognised during the year	43	37
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals	-	-
d) others	43	37
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	235	218
3.1 Deferred tax assets cancelled during the year	235	218
a) reversals	235	218
b) write-downs due to irrecoverability	-	-
c) change in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Italian Law no. 214/2011	-	-
b) other	-	-
4. Final amount	1,297	1,489

The data shown in table 10.3 include the amounts shown in table 10.3.bis.

10.3 bis Changes in deferred tax assets pursuant to Italian Law no. 214/2011

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	1,142	1,150
2. Increases	-	-
3. Decreases	150	8
3.1 Reversals	150	8
3.2 Transformation into tax credits	-	-
a) resulting from operating losses	-	-
b) arising from tax losses	-	-
3.3 Other decreases	-	-
4. Final amount	992	1,142

10.4 Changes in deferred tax liabilities (offset in the income statement)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	92	148
2. Increases	13	7
2.1 Deferred tax liabilities recognised during the year	13	7
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	13	7
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	63
3.1 Deferred tax liabilities es cancelled during the year	-	63
a) reversals	-	63
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	105	92

10.5 Changes in deferred tax assets (offset in equity)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	116	325
2. Increases	259	5
2.1 Deferred tax assets recognised during the year	259	5
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	259	5
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	3	214
3.1 Deferred tax assets cancelled during the year	3	214
a) reversals	3	214
b) write-downs due to irrecoverability	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	372	116

10.6 Changes in deferred tax liabilities (offset in equity)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	1,858	1,228
2. Increases	409	740
2.1 Deferred tax liabilities recognised during the year	409	740
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	409	740
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	189	110
3.1 Deferred tax liabilities es cancelled during the year	189	110
a) reversals	189	110
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	2,078	1,858

For further information on the changes in the income statement of prepaid and deferred taxes, please refer to Part C - Section 19 Income taxes for the year of current operations and for those offset by equity in Part D - Comprehensive income.

* * *

With regard to tax disputes relating to the Bank, it should be noted that on 22 December 2021 the Regional Tax Court of Lazio Sect. 13 issued sentence no. 485/22 filed on 3 February 2022 which accepted the appeal presented by the Bank, concerning the dispute against assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were not deductible for IRPEG and IRAP purposes (costs for advisory services and costs pertaining to a lease agreement). In relation to this dispute, the Bank had already charged 55 thousand euros to the income statement in the previous years, plus penalties and interest.
The deadlines for appealing to the Supreme Court by the Revenue Agency are still pending.

Section 12 - Other assets – Item 120

12.1 Other assets: breakdown

	Total 31.12.2021	Total 31.12.2020
Receivables for guarantee deposits	334	334
Receivables from group companies for tax consolidation	530	634
Receivables from Group companies	773	764
Deposits with Cassa Compensazione e Garanzia	8,479	5,799
Deposits with Ice Clear Europe	12,950	5,600
Due from counterparties and brokers	4,831	215
Tax credits for withholding tax	6,289	5,230
Sundry receivables	2,156	1,347
Total	36,342	19,923

Receivables from group companies include 650 thousand euros for dividends for warrant A - approved by the Shareholders' Meeting of the subsidiary InvestiRE SGR on 29 March 2019 (530 thousand euros), 30 March 2020 (120 thousand euros) - relating to the commissions to be collected on performance recorded by the subsidiary on the sales of properties of the FIP fund. These amounts will be paid only upon liquidation of the FIP fund.

LIABILITIES

Section 1 - Financial liabilities at amortised cost - Item 10

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

Type of transactions/Amounts	Total 31.12.2021				Total 31.12.2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	-	X	X	X	-	X	X	X
2. Due to banks	392	X	X	X	145	X	X	X
2.1 Current accounts and demand deposits	392	X	X	X	145	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3. Loans	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	392	-	-	392	145	-	-	145

Key:
BV = Book value;
L1 = Level 1; L2 = Level 2; L3 = Level 3

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

Type of transactions/Amounts	Total 31.12.2021				Total 31.12.2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	679,780	X	X	X	511,407	X	X	X
2. Time deposits	186,913	X	X	X	170,130	X	X	X
3. Loans	750,671	X	X	X	853,159	X	X	X
3.1 Repurchase agreements	750,671	X	X	X	853,159	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	9,356	X	X	X	7,595	X	X	X
6. Other payables	26,754	X	X	X	15,526	X	X	X
Total	1,653,474	-	-	1,653,474	1,557,817	-	-	1,557,817

Key:
BV = Book value;
L1 = Level 1; L2 = Level 2; L3 = Level 3

Item 3.1 Repurchase agreements concerns exclusively the transactions carried out with Cassa di Compensazione e Garanzia.

1.6 Lease payables

The information referred to in IFRS 16, paragraph 58 is provided below.

Type	Maturities					
	within 1 month	over 1 month and up to 3 months	over 3 months and up to 1 year	over 1 year and up to 5 years	over 5 years	Total at 31.12.2021
Buildings	466	53	1,361	3,978	3,085	8,943
Electronic equipment	-	3	16	19	-	38
Other	14	23	101	236	1	375
Total	480	79	1,478	4,233	3,086	9,356

As regards the information referred to in IFRS 16, paragraph 53, letter g), the total cash flows for outgoing leases in the year 2021 amounted to 1,980 thousand euros.

Section 2 - Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 31.12.2021					Total 31.12.2020				
	NV	*Fair value*			*Fair value**	NV	*Fair value*			*Fair value**
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	-	-	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	989	176	900	-	-	-	40	-	-
1. Financial derivatives	-	989	176	900	-	-	-	40	-	-
1.1 Held for trading	X	989	176	900	X	X	-	40	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	989	176	900	X	X	-	40	-	X
Total (A+B)	X	989	176	900	X	X	-	40	-	X

Key:
NV = nominal or notional value;
L1 = Level 1; L2 = Level 2; L3 = Level 3
* fair value calculated excluding changes in value due to the change in creditworthiness

Item "B. Derivative instruments" equal to 2,065 thousand euros relates to: in level 1 General options, in level 2 the negative valuation of forward contracts for the purchase and sale of currencies and in Level 3 the value of the *earn-outs* relating to the purchase and sale of InvestiRE SGR S.p.A. shares. This latter transaction is fully illustrated in the "Information document relating to transactions of greater significance with related parties" published on the Bank's website www.bancafinnat.it, section Investor Relations/Corporate Governance/Information document on transactions with related parties and attachments published on 21 January 2021.

Section 6 - Tax liabilities – Item 60

See Section 10 of assets.

Section 8 - Other liabilities – Item 80

8.1 Other liabilities: breakdown

	Total 31.12.2021	Total 31.12.2020
Social security and insurance contributions to be paid	1,397	1,315
Payables due to employees and contractors	2,537	2,682
Emoluments to be paid to the Directors	26	6
Emoluments to be paid to the Board of Statutory Auditors	127	127
Trade payables	702	745
Payables to group companies for tax consolidation	7	-
Payables to Group companies	-	72
Shareholders for dividends to be paid	1,448	1,743
Payables to brokers and institutional counterparties	1,526	951
Tax payables for withholding tax	4,154	2,779
Sundry payables	2,207	2,129
Total	14,131	12,549

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	Total 31.12.2021	Total 31.12.2020
A. Opening balances	1,549	1,983
B. Increases	979	838
B.1 Allocations for the year	979	838
B.2 Other changes	-	-
C. Decreases	947	1,272
C.1 Severance indemnities paid out	267	781
C.2 Other changes	680	491
D. Closing balances	1,581	1,549

Item B.1 Allocations for the year, includes the actuarial loss of 39 thousand euros recognised among valuation reserves, net of the tax effect, in accordance with IAS 19. In 2020, an actuarial gain of 50 thousand euros was recorded.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury - net of disbursements carried out - as established by Italian Law no. 296/06.
The actuarial assumptions used to determine the liabilities at the financial statements date are set out below:

Demographic hypothesis
as regards the technical bases of a demographic type, the "Table of permanence in the active position" RG48 (built by the State Accounting Office, with reference to the 1948 generation), "selected, projected and differentiated by gender", was used as a basis for evaluating survival, supplemented by internal statistics for the probability of leaving work activities.
Economic-financial hypotheses
the technical assessments were made on the basis of the following assumptions:

- technical discount rate from 0% to 0.27431% determined on the basis of the interest rate curve constructed on the basis of the effective rates of return of bonds denominated in Euro of leading companies with a rating of AA or higher;
- annual inflation rate 1.50%.

The amount of the Post-employment benefits at 31 December 2021 determined in accordance with the provisions of art. 2120 of the Civil Code amounted to 1,442 thousand euros.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 31.12.2021	Total 31.12.2020
1. Provisions for credit risk related to commitments and financial guarantees given	55	246
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	69	67
4.1. Legal and tax disputes	-	-
4.2. Personnel expenses	-	-
4.3. Other	69	67
Total	124	313

Item 1. Provisions for credit risk related to commitments and financial guarantees given concerns the collective impairment losses recorded up until 31 December 2021 totalling 42 thousand euros and analytical impairment losses carried out in 2019 on an impaired guarantee for 13 thousand euros.
Collective impairment losses on commitments in the year came to 101 thousand euros and collective value reversals on financial guarantees stood at 90 thousand euros.

Item 4. Other provisions for risks and charges includes the provision made in the previous year to cover any indemnity to be paid to an employee for 67 thousand euros and an increase in lease assets relating to restoration charges for 2 thousand euros.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Retirement funds	Other provisions for risks and charges	Total
A. Opening balances	246	-	67	313
B. Increases	-	-	2	2
B.1 Allocations for the year	-	-	2	2
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	191	-	-	191
C.1 Use in the year	191	-	-	191
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	-	-	-	-
D. Closing balances	55	-	69	124

For the comment on the changes, please refer to what is illustrated at the bottom of table 10.1. Provisions for risks and charges: breakdown.

10.3 Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Impaired acquired and/or originated	Total
Commitments to disburse funds	7	-	-	-	7
Financial guarantees given	31	4	13	-	48
Total	38	4	13	-	55

10.6 Provisions for risks and charges - other provisions

The provision for risks and charges - other provisions amounted to 69 thousand euros. For details, please refer to what is reported at the bottom of table 10.1. Provisions for risks and charges: breakdown.

Section 12 - Company equity - Items 110, 140, 160 and 170

12.1 "Share capital" and "Treasury shares": breakdown

At 31 December 2021, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a nominal value of 0.20 euros each.

At 31 December 2021 treasury shares numbered 28,810,640. These shares, totalling 14,059 thousand euros, equal to 7.9% of the share capital, in application of IAS 32, were used to adjust the equity. In the financial year in question, the Bank did not buy or sell any treasury shares.

12.2 Share capital - Number of shares: annual changes

Items/Types	Ordinary	Other
A. Number of shares at the beginning of the year	362,880,000	
– fully paid-in	362,880,000	-
– not fully paid-in	-	-
A.1 Treasury shares (-)	(28,810,640)	-
A.2 Shares issued: opening balances	334,069,360	-
B. Increases	-	-
B.1 New issues	-	-
– against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
– free of charge:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Derecognition	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares issued: closing balances	334,069,360	-
D.1 Treasury shares (+)	28,810,640	-
D.2 Number of shares at the end of the year	362,880,000	-
– fully paid-in	362,880,000	-
– not fully paid-in	-	-

12.3 Share capital: additional information

During the year, the Bank's share capital was not subject to change.

12.4 Income-related reserves: additional information

The "Reserves" item amounted to 123,196 thousand euros (122,058 thousand euros at 31 December 2020) and is broken down as follows:

- profit reserves:
  118,954 thousand euros consisting of the legal reserve of 11,804 thousand euros, the extraordinary reserve of 86,151 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, the restated IAS 19 retained earnings reserve of 179 thousand euros, the merger surplus reserve of 524 thousand euros, the reserve for treasury shares purchased of 14,059 thousand euros and the restated IFRS 9 negative reserve of 488 thousand euros;
- other reserves:
  4,242 thousand euros consisting of the reserve for the realised gain on treasury shares of 4,277 thousand euros and net losses on the sale of shares in the portfolio Financial assets at fair value through other comprehensive income of 35 thousand euros.

12.6 Other information

The table below highlights the provisions of art. 2427 paragraph 7-bis of the Italian Civil Code.

Nature/Description	**Amount at 31.12.2021**	**Possibility of use**	**Portion available**	**Summary of the uses made in the last three financial years**			
				to cover losses	**for other reasons**		
					2018	**2019**	**2020**
Share capital	72,576		-				
Reserves:	123,196		97,333				
Legal reserve	11,804	B	-				
Extraordinary reserve	86,151	A B C	86,151				
Dividend adjustment reserve	6,725	A B C	6,725				
Retained earnings from restated IAS 19	179	A B C	179				
Losses carried forward from restated IFRS 9	(488)		(488)				
Profits on HTCS shares	(35)	A B C	(35)				
Profits on the disposal of treasury shares	4,277	A B C	4,277				
Reserve for treasury shares purchased	14,059		-				
Merger surplus reserves	524	A B C	524				
Valuation reserves:	66,845		1,364				
Special revaluation laws	1,364	A B	1,364				
Valuation reserve	65,481	B	-				
Treasury shares	(14,059)		-				
TOTAL	248,558		98,697	-			
Non-distributable portion	-		1,364				
Residual distributable portion	-		97,333				

Key:
A for share capital increase B to cover losses C for distribution to shareholders

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Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

	Nominal value on commitments and financial guarantees issued				Total 31.12.2021	Total 31.12.2020
	Stage 1	Stage 2	Stage 3	Impaired acquired and/or originated		
1. Commitments to disburse funds	14,824	284	-	-	15,108	28,562
a) Central Banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	1,818	-	-	-	1,818	19,592
e) Non-financial companies	6,399	122	-	-	6,521	1,798
f) Households	6,607	162	-	-	6,769	7,172
2. Financial guarantees given	19,521	4,013	299	-	23,833	25,216
a) Central Banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	667	-	-	-	667	621
d) Other financial companies	4,645	-	-	-	4,645	9,113
e) Non-financial companies	11,278	2,392	299	-	13,969	11,799
f) Households	2,931	1,621	-	-	4,552	3,683

The table above shows the irrevocable commitments to disburse funds and the financial guarantees given. Both items are subject to the write-down rules established by IFRS 9.
The item Financial guarantees issued c) Banks includes the commitment to the Interbank Deposit Protection Fund for 632 thousand euros.

2. Other commitments and other guarantees given

	Nominal value	
	Total 31.12.2021	Total 31.12.2020
1. Other guarantees given	-	
of which: non-performing	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	187,510	185,122
of which: non-performing	163	3
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	30	63
d) Other financial companies	56,354	34,998
e) Non-financial companies	79,985	111,365
f) Households	51,141	38,696

The table above shows the revocable commitments to disburse funds and the other commitments for transactions to be settled that are not subject to the IFRS 9 write-down rules.

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Total 31.12.2021	Total 31.12.2020
1. Financial assets at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortised cost	751,627	858,640
4. Property, equipment and investment property	-	-
of which: property, equipment and investment property constituting inventories	-	-

4. Management and dealing on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	
a) purchases	4,057,462
1. settled	4,052,842
2. not settled	4,620
b) sales	2,930,108
1. settled	2,928,775
2. not settled	1,333
2. Individual portfolio management	966,722
3. Custody and administration of securities	
a) third party securities on deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by the bank preparing the financial statements	-
2. other securities	-
b) third party securities on deposit (excluding portfolio management): others	1,743,547
1. securities issued by the bank preparing the financial statements	57,017
2. other securities	1,686,530
c) third party securities deposited with third parties	1,730,161
d) property titles deposited with third parties	1,140,160
4. Other transactions	-

Part C – Information on the Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Types	Debt securities	Loans	Other transactions	Total 2021	Total 2020
1. Financial assets at fair value through profit or loss	56	-	-	56	774
1.1. Financial assets held for trading	56	-	-	56	774
1.2 Financial assets at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	479	-	X	479	1,144
3. Financial assets at amortised cost:	1,341	7,299	-	8,640	13,172
3.1 Loans and receivables with banks	-	-	X	-	24
3.2 Loans and receivables with customers	1,341	7,299	X	8,640	13,148
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	2
6. Financial liabilities	X	X	X	4,503	3,312
Total	1,876	7,299	-	13,678	18,404
of which: interest income on impaired financial assets	-	706	-	706	700
of which: interest income on financial leases	X	-	X	-	-

1.3 Interest and similar expense: breakdown

Items/Types	Payables	Securities	Other transactions	Total 2021	Total 2020
1. Financial liabilities at amortised cost	(1,486)	-	-	(1,486)	(1,417)
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	-	X	X	-	(2)
1.3 Due to customers	(1,486)	X	X	(1,486)	(1,415)
1.4 Securities issued	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(1,936)	(752)
Total	(1,486)	-	-	(3,422)	(2,169)
of which: interest expense related to lease payables	(122)	X	X	(122)	(110)

The net interest income amounted to 10,256 thousand euros compared to 16,235 thousand euros in the previous year. The decrease is mainly due to the contraction in the contribution of repurchase agreements on the proprietary portfolio.

Section 2 - Fees and commissions - Items 40 and 50

Starting from the year in question, the information on the breakdown of commission income and expense has been amended as required by the 7th update of Bank of Italy Circular no. 262/2005. Therefore, the breakdown of commission income and expense for the year under review was reclassified.

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total 2021	Total 2020
a) Financial instruments	18,388	16,678
1. Placement of securities	5,331	3,869
1.1. With underwriting and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	5,331	3,869
2. Reception and transmission of orders and trading on behalf of customers	5,008	4,035
2.1 Reception and transmission of orders for one or more financial instruments	35	-
2.2. Trading on behalf of customers	4,973	4,035
3. Other commissions associated with activities related to financial instruments	8,049	8,774
of which: trading on own account	-	-
of which: individual portfolio management	6,777	7,153
b) Corporate Finance	1,184	956
1. Mergers and acquisitions consultancy	40	50
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	1,144	906
c) Investment advisory activities	1,493	882
d) Clearing and settlement	52	17
e) Custody and administration	574	480
1. Depositary bank	-	-
2. Other fees related to custody and administration	574	480
f) Central administrative services for collective portfolio management	-	-
g) Trusteeship	-	-
h) Payment services	831	738
1. Current accounts	489	423
2. Credit cards	196	179
3. Debit and other payment cards	29	27
4. Wire transfers and other payment orders	111	103
5. Other fees related to payment services	6	6
i) Distribution of third-party services	2,582	2,436
1. Collective portfolio management	574	529
2. Insurance products	2,008	1,907
3. Other products	-	-
of which: individual portfolio management	-	-
j) Structured finance	898	100
k) Servicing related to securitisations	-	-
l) Commitments to disburse funds	665	615
m) Financial guarantees given	271	249
of which: credit derivatives	-	-
n) Financing operations	138	207
of which: factoring services	-	-
o) Currency dealing	-	-
p) Goods	-	-
q) Other fee and commission income	377	381
of which: for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	27,453	23,739

Item I.1. Distribution of third party services - Collective portfolio management includes for 415 thousand euros (394 thousand euros at 31 December 2020) the commissions relating to the activity of main distributor of the products of the subsidiary Natam.

The information relating to contracts with customers required by IFRS 15 is provided below.

Revenue from contracts with customers (IFRS 15)

	Revenue 2021	Revenue recognised in financial year 2021 included in the opening balance of liabilities deriving from contracts at the beginning of the financial year	Revenue 2020	Revenue recognised in financial year 2020 included in the opening balance of liabilities deriving from contracts at the beginning of the financial year
Subdivision by type of service				
- advisory	3,576	48	1,938	98
- specialist	1,012	-	1,383	-
- trading	5,734	-	4,805	-
- placement	5,331	-	3,869	-
- individual management	4,809	-	4,872	-
- collective management	-	-	-	-
- delegated management	1,242	-	1,511	-
- services to listed issuers (SEQ and equity research)	462	89	455	116
- distribution of insurance products	2,009	-	1,907	-
- distribution of third-party services	574	-	529	-
- other services	2,704	-	2,470	-
Total fee and commission income	27,453	137	23,739	214
Analytical (Adjustments) Value recoveries of the period on trade receivables	716		74	
Collective (Adjustments) Value recoveries of the period on trade receivables	(158)		(57)	
Losses due to credit cancellation	(625)		(13)	
Total (Adjustments) Value recoveries and losses on trade receivables	(67)		4	

As required by IFRS 15, the following information is provided:

- variable commissions recognised in the year amounted to 1,092 thousand euros (1,425 thousand euros in 2020) and relate for 259 thousand euros to performance fees on management (885 thousand euros at 31 December 2020), for 15 thousand euros to performance fees on delegated management (445 thousand euros at 31 December 2020) and for 818 thousand euros to successful commissions on consultancy for Corporate Finance activities (95 thousand euros at 31 December 2020). Overall, variable commissions were collected in for 393 thousand euros in 2021 and for 204 thousand euros in 2022 (up to the date of preparation of the financial statements);
- at the closing date of the financial year there are no unrecognised commissions on contracts longer than one year.

2.2 Commission income: distribution channels of products and services

Channels/Values	Total 2021	Total 2020
a) at its branches:	9,359	9,589
1. portfolio management	6,777	7,153
2. placement of securities	-	-
3. third party services and products	2,582	2,436
b) door-to-door selling:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-
c) other distribution channels:	5,331	3,869
1. portfolio management	-	-
2. placement of securities	5,331	3,869
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

Type of service/amounts	Total 2021	Total 2020
a) Financial instruments	(971)	(1,140)
of which: trading in financial instruments	(866)	(1,042)
of which: placement of financial instruments	(44)	(27)
of which: individual portfolio management	(56)	(40)
- Own	(56)	(40)
- Delegated to third parties	-	-
b) Clearing and settlement	(108)	(82)
c) Custody and administration	(383)	(318)
d) Collection and payment services	(240)	(211)
of which: credit cards, debit cards and other payment cards	(184)	(158)
e) servicing related to securitisations	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	-	-
of which: credit derivatives	-	-
h) Off-premises sale of financial instruments, products and services	-	-
i) Currency dealing	-	-
j) Fee and commission expense	(304)	(274)
Total	(2,006)	(2,025)

Net commissions amounted to 25,448 thousand euros compared to 21,713 thousand euros in the previous year.

Section 3 - Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 2021		Total 2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	6	-	1	1
B. Other financial assets mandatorily measured at fair value	-	505	-	1,366
C. Financial assets at fair value through other comprehensive income	211	-	424	-
D. Equity investments	3,433	-	3,548	-
Total	3,650	505	3,973	1,367

The item shows a balance of 4,155 thousand euros (5,340 thousand euros in the previous year).

Section 4 - Net trading expense - Item 80

4.1 Net trading expense: breakdown

Transactions/Income items	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net income [(A+B) - (C+D)]
1. Financial liabilities held for trading	849	256	(119)	(393)	593
1.1. Debt securities	-	13	(59)	(13)	(59)
1.2 Equity instruments	85	239	(28)	(365)	(69)
1.3 UCI units	764	4	(32)	(15)	721
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1. Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	917
4. Derivatives	207	395	(117)	(300)	11
4.1. Financial derivatives:	207	395	(117)	(300)	11
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indices	207	395	(117)	(300)	185
- on currencies and gold	X	X	X	X	(174)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	1,056	651	(236)	(693)	1,521

Net trading expense featured a positive balance of 1,521 thousand euros compared to a negative balance of 253 thousand euros in 2020, and breaks down as follows:

- a positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio of 820 thousand euros (in 2020 there was a positive balance of 177 thousand euros);

- a positive balance between realised profits and losses related to trading on securities and derivatives of 42 thousand euros (in 2020, a negative balance of 893 thousand euros);
- a negative difference of 174 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in 2020, a negative balance of 38 thousand euros);
- a positive balance of 917 thousand euros between realised foreign exchange gains and losses (in 2020 a positive balance of 501 thousand euros).

Section 6 - Net gain from disposal or repurchase – Item 100

6.1 Net gain from disposal or repurchase: breakdown

Item/Income items	Total 2021			Total 2020		
	Profit	Losses	Net income	Profit	Losses	Net income
A. Financial assets						
1. Financial assets at amortised cost	155	-	155	278	-	278
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	155	-	155	278	-	278
2. Financial assets at fair value through other comprehensive income	59	-	59	1,406	(236)	1,170
2.1. Debt securities	59	-	59	1,406	(236)	1,170
2.2 Loans	-	-	-	-	-	-
Total assets (A)	214	-	214	1,684	(236)	1,448
B. Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

Item 1.2 Loans and receivables with customers and item 2.1 Debt securities both refer to the net result achieved following the sale of debt securities.

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Section 7 - Net losses on other financial assets and liabilities at fair value through profit or loss - Item 110

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

Transactions/Income items	Gains (A)	Gains from disposal (B)	Losses (C)	Losses from disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	77	94	(346)	(2)	(177)
1.1. Debt securities	-	-	(1)	-	(1)
1.2 Equity instruments	-	-	(29)	(2)	(31)
1.3 UCI units	77	94	(316)	-	(145)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	X	X	X	X	-
Total	77	94	(346)	(2)	(177)

Item 1.2 Equity instrument Losses (C) relates to the Carige shares held through the Voluntary Scheme of the FITD for 12 thousand euros and to the ATAC financial instruments for 17 thousand euros while the Losses from sale (D) refer to the Astaldi equity financial instruments.
Item 1.3 UCI units Capital gains (A) refers entirely to the BIM Thema Fund while the item Losses (C) refers to the FIP Fund for 180 thousand euros, the Apple Fund for 106 thousand euros, the BFE Revalue Fund for 25 thousand euros and the New Millennium Funds for 5 thousand euros. The item gains from sale (B) refers entirely to the New Millennium Total Return Fund.
At 31 December 2020 the item had a negative balance of 253 thousand euros.

Section 8 - Net impairment losses for credit risk - Item 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)						Reversals (2)				Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-offs	Other	*Write-offs*	Other						
A. Loans and receivables with banks	(27)	-	-	-	-	-	-	-	-	-	(27)	43
- Loans	(27)	-	-	-	-	-	-	-	-	-	(27)	43
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	(105)	-	(802)	(2,261)	-	-	46	880	1,243	-	(999)	5,541
- Loans	-	-	(802)	(2,261)	-	-	46	880	1,243	-	(894)	5,663
- Debt securities	(105)	-	-	-	-	-	-	-	-	-	(105)	(122)
Total	(132)	-	(802)	(2,261)	-	-	46	880	1,243	-	(1,026)	5,584

Please refer to the comments provided in the asset items Cash and cash equivalents and Financial assets at amortised cost: breakdown by product of loans and receivables with banks and loans and receivables with customers (asset tables of the notes to the financial statements 1.1, 4.1 and 4.2).

The adjustments/recoveries of the first and second stage receivables are reported as an overall net change for each stage.

8.1a Net impairment losses for credit risk associated with financial assets measured at cost subject to Covid-19 support measures: breakdown

Transactions/Income items	Net impairment losses						Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired			
			Write-offs	Other	*Write-offs*	Other		
1. Forborne performing exposure compliant with GL	3	-	-	-	-	-	3	(344)
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	351	(2)	-	-	-	-	349	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. New loans	-	16	-	-	-	-	16	(34)
Total 2021	354	14	-	-	-	-	368	
Total 2020	(378)							(378)

This table shows the details of the net value recoveries for loans subject to moratoriums or which constitute new liquidity granted through public guarantee mechanisms.

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

Transactions/Income items	Impairment losses (1)						Reversals (2)				Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-offs	Other	*Write-offs*	Other						
A. Debt securities	(23)	-	-	-	-	-	-	-	-	-	(23)	(350)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(23)	-	-	-	-	-	-	-	-	-	(23)	(350)

8.2a Net impairment losses for credit risk associated with financial assets at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

At 31 December 2021, there are no financial assets at fair value with an through other comprehensive income subject to Covid-19 support measures.

Section 9 - Net modification gains (losses) - Item 140

At 31 December 2021 the item had a negative balance of 157 thousand euros. At 31 December 2020 the item had a negative balance of 185 thousand euros.

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type expenses/Amounts	Total 2021	Total 2020
1) Employees	(20,852)	(20,299)
a) wages and salaries	(15,528)	(15,094)
b) social security charges	(3,940)	(3,912)
c) post-employment benefits	(664)	(642)
d) social security charges	-	-
e) provisions for post-employment benefits	(9)	(4)
f) provisions for retirement funds and similar obligations:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	(284)	(259)
- defined contribution plans	(284)	(259)
- defined benefit plans	-	-
h) costs from share-based payment agreements	-	-
i) other benefits to employees	(427)	(388)
2) Other non-retired personnel	(422)	(412)
3) Directors and Statutory Auditors	(869)	(775)
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	-	-
6) Reimbursement of expenses for third party employees seconded to the company	-	-
Total	(22,143)	(21,486)

Personnel expenses increased by 657 thousand euros also due to the inclusion in the workforce of high quality resources with consolidated professional experience.
Item 1) e) does not include the actuarial loss referring to IAS provisions for post-employment benefits of 39 thousand euros (actuarial gain of 50 thousand euros in of 2020), recognised net of the tax effect among Valuation reserves.

10.2 Average number of employees by category

	2021	2020
Employees	189	189
(a) executives	36	32
(b) management	90	88
(c) remaining employees	63	69
Other staff	13	13

10.4 Other benefits to employees

The benefits in favour of employees amount to 427 thousand euros (compared to 388 thousand euros in the previous year) and relate to meal vouchers, collective health insurance, professional updates, cars and other benefits.

As required by accounting standard IFRS 16, lease payments referring to benefits assigned to personnel (company cars and employee accommodation) are recorded in the item charges for amortisation of the right of use.

10.5 Other administrative expenses: breakdown

Type expenses/Amounts	Total 2021	Total 2020
Rents and condominium fees	(327)	(267)
Membership fees	(186)	(179)
EDP expenses	(26)	(21)
Stationery and printing supplies	(25)	(20)
Consultancy and professional services	(1,259)	(1,188)
Outsourced services	(2,355)	(2,254)
Independent Auditors fees	(139)	(139)
Maintenance	(213)	(182)
Utilities and connections	(1,518)	(1,464)
Postal, transport and shipment fees	(21)	(19)
Insurance	(67)	(64)
Advertising, publications and sponsorships	(198)	(275)
Office cleaning	(209)	(210)
Books, newspapers and magazines	(31)	(42)
Entertainment expenses	(241)	(178)
Travel expenses and mileage-based reimbursements	(49)	(43)
Other taxes and duties	(5,294)	(4,383)
Security charges	(212)	(223)
Contributions to Resolution Funds and deposit guarantee schemes	(1,404)	(1,104)
Other	(293)	(301)
Total	(14,067)	(12,556)

Other administrative expenses increased by 1,511 thousand euros compared to the previous year and include recoveries from customers of some costs allocated under Other operating income/expenses, net. Net of those recoveries, other administrative expenses amounted to 8,822 thousand euros and increased by 584 thousand euros compared to the previous year (8,238 thousand euros), mainly due to the greater contribution to Resolution Funds and deposit guarantee schemes.

The item Contributions to Resolution Funds and deposit guarantee schemes include contributions paid to the Single Resolution Fund for 1,174 thousand euros, to the Interbank Deposit Protection Fund for 229 thousand euros and to the National Guarantee Fund for 1 thousand euros.
As required by IFRS 16, lease payments relating to other administrative expenses are recognised under the item amortisation charges of the right of use of 1,971 thousand euros (1,784 thousand euros in 2020).

Independent Auditors fees

According to the requirements of Article 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, the fees for the year 2021 are listed for the different types of services provided to Banca Finnat Euramerica S.p.A. by the independent auditors and entities belonging to their networks.

	Subject providing the service	Fees for the year 2021 (in thousands of Euro)
Audit	KPMG S.p.A.	(93)
Other services	KPMG S.p.A.	(45)
Total		(138)

The audit concerns the auditing of the separate and consolidated financial statements and of the consolidated half-year report, as well as accounting controls.

The audit fees do not include VAT, reimbursement of expenses and the supervisory fee. The total charge, including these items, amounts to 139 thousand euros.

The other services (not inclusive of VAT and reimbursement of expenses) refer to issue of a due diligence on a customer for 15 thousand euros and to the release of the annual report, referring to the 2020 financial year, concerning the safeguards adopted by the Bank with regard to the deposit and sub-deposit of customer assets in the context of the provision of investment services and activities for 30 thousand euros (as established by art. 23, paragraph 7 of the "Implementation Regulation of articles 4-undecies and 6, paragraph 1, letters b and c-bis, of the Consolidated Financial Law", adopted with a provision of the Bank of Italy dated 5 December 2019, such annual report must be issued by the subject in charge of auditing the accounts for the reference year).

Section 11 – Net reversals of (accruals to) provisions for risks and charges – Item 170

11.1. Net reversals of (accruals to) provisions for credit risk related to commitments to disburse funds and financial guarantees given: breakdown

	Reversals	Impairment losses	Total 2021	Total 2020
Commitments to disburse funds	104	-	104	(107)
Financial guarantees given	86	-	86	(37)
Total	190	-	190	(144)

11.3 Net reversal of (accruals to) provisions for risks and charges: breakdown

	Total 2021	Total 2020
Allocations	-	(67)
Utilisation	-	-
Total	-	(67)

Both items of Section 11, are commented on in Section 10 - "Provisions for risks and charges - Item 100" of the liabilities in the Statement of Financial Position.

Section 12 – Depreciation and net impairment losses on property, equipment and investment property – Item 180

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

Assets/Income items	Depreciation (a)	Impairment losses (b)	Reversals (c)	Net income (a+b-c)
A. Property, equipment and investment property				
1. used in operations	(2,264)	-	-	(2,264)
- owned	(293)	-	-	(293)
- rights of use acquired through leases	(1,971)	-	-	(1,971)
2. Investment property	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
3. inventory	X	-	-	-
Total	(2,264)	-	-	(2,264)

The item Rights of use acquired through leases refers to amortisation relating to employee benefits of 215 thousand euros and other administrative expenses of 1,756 thousand euros.
At 31 December 2020 amortisation stood at 2,299 thousand euros (of which 1,977 thousand euros relating to leases).

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

13.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals (c)	Net income (a+b-c)
A. Intangible assets				
of which software	(91)			(91)
A.1 Owned	(91)	-	-	(91)
- Internally generated by the company	-	-	-	-
- Other	(91)	-	-	(91)
A.2 Rights of use acquired through leases	-	-	-	-
Total	(91)	-	-	(91)

At 31 December 2020, amortisation stood at 87 thousand euros.

Section 14 - Other operating income, net – Item 200

14.1 Other operating expense: breakdown

	Total 2021	Total 2020
Amounts reimbursed to customers	(155)	(37)
Amortisation for improvements to third party assets	(70)	(55)
Other expenses	(669)	(4)
Total	(894)	(96)

14.2 Other operating income: breakdown

	Total 2021	Total 2020
Rental income	155	143
Recovery of stamp duty	4,452	3,804
Recovery of substitute tax	244	149
Recovery of other expenses	549	365
Dividend waiver and lapse of entitlement	295	253
Other income	237	56
Total	5,932	4,770

Section 14 - "Other operating income, net" showed a positive balance of 5,038 thousand euros compared to 4,674 thousand euros in 2020.
Income includes cost recoveries from customers for 5,245 thousand euros (4,318 thousand euros in 2020).
As required by article 1 paragraph 125 of Italian Law no. 124/2017, it should be noted that the income also includes the contributions disbursed by Fondimpresa for 17 thousand euros for plans implemented by the Bank for staff training and collected during the year.
The item also includes net charges of 647 thousand euros due to settlement agreements (also linked to the acquisition of new customers) and administrative penalties.

Section 15 – Net loss on equity investments - Item 220

15.1 Net loss on equity investments: breakdown

Income items/Amounts	Total 2021	Total 2020
A. Income	24	-
1. Revaluations	-	-
2. Gains from disposals	24	-
3. Reversals	-	-
4. Other income	-	-
B. Charges	-	(73)
1. Write-downs	-	-
2. Impairment losses	-	(73)
3. Losses from disposal	-	-
4. Other expenses	-	-
Net income	24	(73)

Item A.2 Profits from sale relates to the liquidation profit of the associate Previra Invest S.p.A.
Last year the impairment losses related to the impairment carried out on the associate Imprebanca S.p.A.

Section 19 - Income taxes on continuing operations - Item 270

19.1 Income taxes: breakdown

	Income items/Amounts	Total 2021	Total 2020
1.	Current taxes (-)	(1,000)	(1,069)
2.	Changes in current taxes compared with previous years (+/-)	(15)	1
3.	Reduction in current taxes (+)	-	-
3.bis	Reduction in current taxes for tax receivables as per Italian Law no. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	(192)	(181)
5.	Change in deferred tax liabilities (+/-)	(13)	56
6.	Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(1,220)	(1,193)

Current taxes relate to IRES from the tax consolidation for 560 thousand euros, additional IRES for 33 thousand and to IRAP for 407 thousand euros.
The change in deferred tax assets and liabilities is equal to the difference between those determined on an accruals basis in the current year and those recognised in previous periods and cancelled in the year. The change in deferred tax assets and liabilities amounts to 205 thousand euros.

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19.2 Reconciliation of theoretical tax charge to total income tax expense for the period

	2021		
	IRES	IRAP	Total
Profit (loss) before taxes	6,899	6,899	
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX BURDEN	(1,656)	(384)	(2,040)
Additional IRES 3.5% for credit and financial institutions	(241)		(241)
GLOBAL THEORETICAL TAX BURDEN	(1,897)	(384)	(2,281)
Effect of income exempt or taxed at a subsidised rate	1,321	1,237	2,558
Effect of entirely or partially non-deductible charges	(199)	(287)	(486)
Effect of income/expenses that do not contribute to the IRAP tax base	-	(998)	(998)
Changes in current /deferred taxes compared with previous financial years	(13)	-	(13)
ACTUAL TAX BURDEN FOR FINANCIAL STATEMENTS	(788)	(432)	(1,220)

Section 22 – Earnings per share

22.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share are given below, in accordance with IAS 33.

The basic earnings (loss) per share are calculated by dividing the net income (in euro) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the year (the denominator).

For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the year is calculated based on the ordinary shares outstanding at the beginning of the year, adjusted by the amount of ordinary shares purchased or issued or sold during the year multiplied by the number of days that the shares were outstanding, in proportion to the total days in the year. Shares outstanding do not include treasury shares.

The diluted earnings (loss) per share is calculated by adjusting the profit (losses) of ordinary shareholders, and likewise the weighted average of the shares outstanding, to take account of any impact by situations that result in dilution.

The following table shows the basic earnings (loss) per share.

	31.12.2021	31.12.2020
Profit for the year (in euros)	5,679,140	5,580,772
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.017000	0.016705

The following table shows the diluted earnings (loss) per share.

	31.12.2021	31.12.2020
Adjusted profit for the year (in euros)	5,679,140	5,580,772
Weighted average of ordinary shares with diluted capital	334,069,360	334,069,360
Diluted earnings (loss) per share	0.017000	0.016705

Since the Bank has no transactions under way that might determine changes to the number of shares outstanding and the earnings (loss) of ordinary shareholders, the diluted earnings (loss) per share coincides with the basic earnings per share and it is unnecessary to perform the reconciliation provided for by paragraph 70 of IAS 33.

22.2 Other information

At the reference date of the financial statements, no financial instruments that could lead to the dilution of the basic earnings (loss) per share had been issued.

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Part D - Comprehensive income

Analytical statement of comprehensive income

	Items	31.12.2021	31.12.2020
10.	**Profit for the year**	**5,679**	**5,581**
	Other comprehensive income after taxes that may not be reclassified to the income statement	**6,505**	**2,813**
20.	Equity instruments at fair value through other comprehensive income:	6,832	2,871
	a) change in fair value	6,832	2,871
	b) transfers to other components of equity	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in creditworthiness):	-	-
	a) change in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equity instruments at fair value through other comprehensive income	-	-
	a) change in fair value (hedged instrument)	-	-
	a) change in fair value (hedged instrument)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(40)	50
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investments	-	-
100.	Income taxes relative to other comprehensive income that may not be reclassified to the income statement	287	108
	Other comprehensive income that may be reclassified to the income statement	**(672)**	**1,077**
110.	Foreign investment hedging:	-	-
	a) change in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) change in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated elements):	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:	(996)	1,810
	a) change in fair value	(731)	2,208
	b) reclassification to the income statement	(265)	(398)
	- adjustments for credit risk	23	(350)
	- profits/losses from disposal	(288)	(48)
	c) other changes	-	-
160.	Non-current assets held for sale and disposal groups:	-	-
	a) change in fair value	-	
	b) reclassification to the income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity-accounted investments:	-	-
	a) change in fair value	-	-
	b) reclassification to the income statement	-	-
	- impairment losses	-	-
	- profits/losses from disposal	-	-
	c) other changes	-	-
180.	Income taxes relative to other comprehensive income that may be reclassified to the income statement	(324)	733
190.	**Total other comprehensive income**	**5,833**	**3,890**
200.	**Comprehensive income (Items 10+190)**	**11,512**	**9,471**

Item 20. also includes the negative change in the fair value of the investments in subsidiaries for a total net amount of 3,144 thousand euros.

The positive change in Item 20. Equity instruments at fair value through other comprehensive income of Euro 6,832 thousand euros is attributable to:

(+) 3,188 thousand euros to changes in fair value (before taxes) of equity investments in subsidiaries: InvestiRE SGR S.p.A. +4,002 thousand euros, Finnat Fiduciaria S.p.A. -701 thousand euros, Finnat Gestioni SA for +189 thousands euros and Natam Management Company SA for -302 thousands euros.

(+) 3,644 thousand euros to changes in fair value (gross of taxes) of other equity instruments: Sia S.p.A. +3,551 thousand euros, CSE S.r.l. -37 thousand euros and Net Insurance +130 thousand euros.

The negative change in Item 150. Financial assets (other than equity instruments) measured at fair value through comprehensive income (before tax) of 996 thousand euros is mainly attributable to government securities.

At the end of the financial year valuation reserves (net of taxes) broke down as follows:

Investments in companies measured at fair value		
InvestiRE SGR S.p.A.	47,730	euros
Finnat Fiduciaria S.p.A.	1,792	euros
Natam Management Company S.A.	1,425	euros
Finnat Gestioni S.A.	5,287	euros

Total A)	56,234	euros
Financial assets at fair value through comprehensive income		
Shares of SIA S.p.A.	8,078	euros
Fideuram Investimenti S.p.A. shares	910	euros
Units of CSE S.r.l.	-80	euros
Shares of Net Insurance S.p.A.	251	euros
Real Estate Roma Olgiata S.r.l	-443	euros
Debt securities	777	euros

Total A)	9,493	euros
Defined benefit plans C)	-246	euros

Total (A+B+C)	65,481	euros
	==============	

The valuation reserves amount to 66,845 thousand euros and include, in addition to the information detailed above, also the revaluation reserves pursuant to Italian Law no. 576/75, Italian Law no. 72/83 and Italian Law no. 413/91 for a total of 1,364 thousand euros.

Part E - Information on risks and related hedging policies

Introduction

The Bank directs its activities in accordance with criteria of prudence and reduced exposure to risks, inspired by the principle of sound and prudent management.

The Bank has defined its risk appetite by defining the risk objectives and the respective limits in the Risk Appetite Framework, within which its Bodies implement strategic guidelines according to its mission and the development of set objectives. Determined thresholds are calibrated in order to identify and intercept the gradual and possible deterioration of the Group's risk profile and solidity. The mandatory Pillar I limits, on the relationship between regulatory risk measures and own funds, are defined consistently with the provisions of the Supervisory provisions. Management limits, on the other hand, refer to the risk limit system that the Bank has introduced and developed over time and which has implemented in the respective internal regulations. In particular, the Bank has identified specific limits on the LCR and NSFR indicators. Furthermore, the bank carefully monitors market risk (measured by the VaR and the expected shortfall) of the country risk and the issuer risk in relation to the proprietary portfolios, as well as the interest rate risk and the concentration risk on the Banking Book.

Within the Risk Appetite Framework (RAF) document, the Bank defined the risk appetite, tolerance thresholds and assumable limits, in line with the Recovery Plan and the Planning and Budget process. Specifically, a system of limits has been defined as a management tool aimed at regulating the assumption of risks and guiding the restoration of normal conditions if the threshold values are exceeded. The RAF also defines the tolerance perimeter, deriving from assessments carried out under stress conditions, as well as the operational monitoring methods and protocols that can be activated in the event that the dynamics of the risk profile leads to exceeding the level corresponding to the maximum deviation allowed by the Risk Appetite Framework.

An important role for the purposes of risk management and monitoring is also played by the ICAAP/ILAAP report prepared annually by the Banca Finnat Group in compliance with the guidelines of the European Banking Authority and with the provisions of the provisions of the Bank of Italy.

The preparation of the ICAAP/ILAAP report, governed by internal procedures and carried out through the corporate bodies and the relevant structures, represents for the Group the final moment of the broader and ongoing self-assessment process relating to the verification of capital adequacy and its compliance with the RAF, the operational characteristics and the context in which the Group operates.

On the basis of the supervisory provisions, the Bank also carefully monitors liquidity risk, through a methodology that has been formalised in specific documents approved by the Board of Directors, and periodically carries out stress tests on credit, market, concentration and interest rate. The results of the analysis have been evaluated by the Board of Directors.

In compliance with Directive no. 2014/59/EU - Bank Recovery and Resolution Directive (BRRD), implemented by the Italian Parliament with Italian Legislative Decree no. 180 and 181/2015, in June 2021 the Bank prepared and sent to the Supervisory Authority the Group Recovery Plan after approval by the Bank's Board of Directors. The document was prepared in compliance with the implementing provisions contained in Title IV, Chapter 01-I of the Consolidated Banking Law and Title IV, Chapter I-bis of the Consolidate Financial Law (Provision on recovery plans). The Group Recovery Plan is expected to be sent next during the current year, by 30 April.

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Section 1 - Credit risk

Qualitative information

1. General aspects

Credit risk has been defined by the Bank as the risk of incurring losses due to the unexpected worsening of the creditworthiness of a customer, also following situations of contractual default. Credit risk can be broken down into:

- default risk: risk that the counterparty is unable to meet its obligations;
- spread/migration risk: risk of changes in the creditworthiness of the counterparty which determines an effect on the market value of the credit position;
- recovery risk: the risk that the recovery actually achieved at the end of the asset liquidation of an insolvent counterparty is lower than originally estimated by the bank.

The Bank's credit risk monitoring is carried out continuously by the Parent Company's Risk Control Function, the Credit Department, the Credit Committee and the other pertaining functions.
For the quantification of the current internal capital on credit risk, the standardised methodology is used for the determination of the prudential capital requirements pursuant to EC Regulation no. 575/2013.

Impacts deriving from the Covid-19 pandemic

Following the spread of the Covid-19 pandemic, the Bank granted those of its customers who requested it and met the necessary requisites the option to take advantage of the moratoriums provided by the "Cura Italia" Decree.
The Bank also implemented a voluntary commercial initiative with performing customers aimed at suspending the payment of the principal amount of mortgages and other loans repaid by instalments. The suspension had a maximum duration of 12 months for companies and 6 months for individuals, with the extension of the duration of the loan by the corresponding period; this initiative was aimed at all customers whose debt exposures were not classified as non-performing credit exposures.

2. Credit risk management policies
2.1 Organisational aspects
The Bank's strategy, which has always been aimed at optimising the relationship with customers, was intended to provide financial services with high added value to high-standing customers, with the objective of ensuring their loyalty.

With this in mind, the Bank aims to offer actual or potential customers, not only services of primary interest, such as those relating to private banking, investment banking, fiduciary and advisory services, but also credit facilities to build long-term relationships. In order to carry out activities involving the assumption of credit risk, the Bank has adopted a specific Credit Regulation, which formalises the processes and criteria to be applied to the disbursement of new loans or the granting of credit lines in accordance with credit policies and corporate strategic guidelines.

Loans granted by the Bank mainly fall within the following categories:

- loans to customers and banks (typically on sight and maturity credit lines and mortgages that provide for fixed or in any case determinable payments);
- trade receivables;
- repurchase agreements.

After initial recognition, receivables are measured at amortised cost equal to the value of initial recognition decreased/increased by capital repayments, value adjustments/recoveries and amortisation calculated using the effective interest rate method.

In order to mitigate the credit risk and avoid the emergence of situations that could lead to losses and write-downs on the loan portfolio, the Bank carries out a credit activity that favours loans "guaranteed" in real terms or those secured by a pledge on securities, assets and real estate mortgages, occasionally granting credit lines to known and consolidated customers based on the creditworthiness of the borrower.

The company structure and organisation, characterised by the small size and the precise formalisation of credit granting/disbursement procedures, also make it possible to provide customers with primary interest services, granted with decision-making procedures in short time frames.

The operational strategy adopted by the Bank, outlined previously, has ensured that:

- existing transactions have low risk margins;
- the amount of non-performing loans (net of impairment losses made) is contained in a percentage of approximately 1% of total loans and receivables with customers included in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality reported in subsequent pages;
- lending activities provide a positive image and prestige return for the Bank, with positive effects on “traditional” activities.

2.2 Management, measurement and control systems

The assessment of the credit risk and creditworthiness of customers is entrusted to the delegated bodies which act in accordance with explicit powers specifically assigned. The delegated bodies receive all the information necessary for assessing the creditworthiness of customers so that they can express their opinion on loan transactions without delay.

The Bank's lending process is illustrated below.

Assessment of creditworthiness of loan applicants

The assessment of creditworthiness, promptly proceduralised, is aimed above all at ascertaining the existence of the repayment capacity of applicants and at verifying the compatibility existing between the individual loan requests and the company strategies concerning the choices of the size and breakdown of the credit portfolio.

The corporate functions involved in creditworthiness assessment provide to:

- accept customer financing requests;
- acquire all the documentation necessary for examining the equity, financial and economic situation of the applicant and of any guarantors, to instruct the credit line procedure;
- analyse the qualitative information concerning new customers and update the information for existing customers;
- verify the reliability of the data reported in the documentation and information requested;
- with reference to the investigation carried out, formulate an opinion regarding the applicant's creditworthiness;
- connect the borrower's various relationships, both active and passive, and also the credit lines granted with the guarantees offered and the guarantees received with the guarantors proposed;
- prepare a summary of the assessments regarding the reliability or otherwise of the customer and formulate an opinion on the amount of the credit that can be granted, the technical form for the use of the same, as well as highlight the guarantees to be acquired in relation to both quantitative and qualitative aspects.

The Bank also carries out a qualitative assessment of credit exposures on the basis of an internal management-type rating system offered by the CSE outsourcer which allows customers to be classified into risk classes corresponding to different insolvency probability levels.

For the assessment of creditworthiness and the related subdivision into rating classes, the main areas of investigation cover the analysis of the data listed below:

- internal performance data;
- system performance data (notifications from risk centre);
- financial statements information (central financial statements archives);
- socio-demographic information.

Variables are estimated individually with respect to the areas subject to investigation and subsequently integrated into the final model, separately for individuals and businesses.

Granting of loans

Credit lines are granted by the decision-making body taking into due consideration all the reasons that led to the determination of the amount that can be granted and the guarantees required, depending on transaction's risk level.

Once the loan proposal has been approved:

- guarantees are acquired and the transactions for the completion of the loan granted are carried out;
- the loan is paid out;
- the necessary implementation of the transaction is carried out within the IT system for the purposes of periodic checks, of the request for due instalments, of the timely revision of the rate where applicable and/or of the guarantees.

Management of anomalous loans

The management of anomalous loans takes place through the careful and periodic analysis of past due positions carried out by the relevant company functions, by the Credit Committee and under the supervision of General Management. In particular, the Bank's General Management and the departments concerned receive, with a predetermined frequency, adequate reports on the trend of non-performing loans, detailed by individual customer, both assigned and not.

Non-performing loans, net of write-downs, amount to a total of 23,055 thousand euros, represented by bad loans for 11,789 thousand euros, unlikely to pay for 10,187 thousand euros and past due exposures for 1,079 thousand euros.

In this regard, it should be noted that non-performing loans net of write-downs at 31 December 2021 represent 1.8% of the total of the item loans to customers included in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality reported in the subsequent pages.

Performing stress tests

The Bank performs stress test simulations on credit risk at pre-established intervals aimed at quantifying capital absorption and determining related capital ratios. The methodology adopted for conducting the stress test on credit and counterparty risk assumes two different stress scenarios, which occur simultaneously which are attributable to an increase in bad loans and non-performing loans and a reduction in the value of the securities held. The verification of the capital solidity of the Bank and of the Group in the event of adverse scenarios is carried out by measuring the impacts that the results of the stress tests determine on the capital ratios.

2.3 Methods of measuring expected losses

The criteria and logic used to determine the expected losses are described in the Bank's ECL Policy, which has as its perimeter of application financial and commercial receivables, as well as the proprietary financial instruments, in order to verify and evaluate their creditworthiness.

The amount of expected losses depends on the extent of the deterioration in credit quality with respect to initial recognition and takes into account the guarantees held to mitigate the credit risk.

Consistently with the provisions of IFRS 9, the Bank adopts the following approach for the calculation of impairment:
- 12-months expected credit losses (Stage 1): if, at the reporting date, the credit risk of a financial instrument has not increased significantly compared to the "first recognition" date, the Bank measures the losses for that financial instrument as the amount equal to the expected losses over the next 12 months;
-Lifetime months expected credit losses (Stage 2): at each reporting date, the Bank measures losses for a financial instrument as the amount equal to the expected losses over its lifetime if the risk of that instrument has significantly increased compared to the first recognition date.
As regards the staging rules and the criteria for recognition of loans within their respective "buckets", reference is made to the staging allocation Policy approved by the Board of Directors.
Consistently with the provisions of IFRS 9, the model requires the calculation of a provision at each cash flow date of the case in order to carry out a final "multi-period type" totalisation. In the event of cases with maturity, a calculation is therefore made at the date of each future instalment, while for demand items a single calculation is made relating to the cash flow placed at maturity date.
For each period, the calculation is as follows:
- ECL(t) = EAD(t) * LGD(t) * marginal PD (t) * DF(t)
- ECL(t) = contribution to the provision for period t (from effective date to expiry date). The first period (first instalment for items at maturity or all those on demand) always starts on the date of calculation of the provisions
- t = cash flow due date
- EAD(t) = exposure at date t; amortised cost for maturity cases, balance for on demand items
- LGD (t) = lgd at time t obtained through IFRS 9 logic
- Marginal PD (t) = cumulative PD (t) - cumulative PD (t-1) obtained from the PD lifetime curves for the segment and class associated with the counterpart
- DF(t) = discount factor at time t calculated at the IRR (internal rate of return) on a 360 basis

The expected credit loss of financial instruments represented by securities is processed by a leading external specialised company and provided, for each financial instrument, through management applications. The information flow occurs on a quarterly basis and the organisational units apply the rules envisaged in the staging allocation Policy for classification in the correct reference bucket. Probability default measures are extracted from listed credit spreads and therefore have an information content capable of summarising the expectations of occurrence of future events incorporated by the market (forward looking measures). The probabilities of default and LGDs are estimated for each issuer and associated with the respective issues, providing for a differentiation based on the level of subordination (senior and subordinated issues).

The default probability term structure for each issuer is estimated starting from the information and credit spreads quoted daily on the financial markets (i.e. *CDS* spreads and bond prices). Preferably, the specific credit spreads of the individual issuer are used; in this perspective, a credit spread is considered specific when it is directly referable to the issuer's ''risk group''. In the event that, for a given issuer, equally significant specific credit spreads are available on several markets, the market preferentially used is the *CDS* one.

The mapping of individual issuers to the comparable issuer or to the reference cluster is carried out on the basis of the following analysis axes:

- industrial sector,
- geographical area of interest,
- rating (*ECAI*);
- analysis of fundamental financial statement data.

For financial instruments, the loss given default is assumed to be constant for the entire time period of the financial asset under analysis and is a function of two factors:

- instrument ranking;
- classification of the country of origin of the issuing body.

For countries considered to be developed, the LGD is set equal to 0.6 for senior issues and 0.8 for subordinated issues. For covered issues, the value changes as the rating assigned to the individual security in question changes. Unlike for emerging countries with equal subordination, the LGD level is higher, in fact the senior issues are subject to an LGD of 0.75 and subordinated ones to an LGD equal to 1.

Scenarios

The impairment model adopted by the Bank, in compliance with the provisions of IFRS 9, provides for the use of "forward looking scenario" which are identified in a "base scenario", a "scenario up" and a "scenario down", each of which is associated with an occurrence probability. In compliance with the principle of proportionality, also dictated by the low volumes of loan disbursements, the Bank has adopted models and scenarios developed by a leading specialised external supplier.

The scenarios include forecasts on the main macroeconomic variables, the probability of occurrence of the scenarios used at 31 December 2021 is 90% for the "down scenario" and 5% for the "up scenario" and for the "base scenario".

The macroeconomic scenario used at 31 December 2021 has been updated by an external company specialising in the sector and includes the most up-to-date forecasts also used at the consortium level.

As anticipated, the Bank used a scenario that envisaged the adoption of a probability of occurrence of the down forecast of 90%, compared to a standard of 5% used prior to the Covid-19 pandemic. This approach resulted in an increase in impairment losses on performing loans of approximately 195 thousand euros.

Changes due to Covid-19

To determine the collective write-down of performing positions, as in previous financial years, the bank used the consortium model developed by the IT outsourcer in accordance with IFRS 9, which takes into account the updating of the historical series of risk parameters and macroeconomic factors based on the latest available forecasts.

Assessment of the significant increase in credit risk (SICR)

The Bank assessed any increase in credit risk using current and prospective reasonable and sustainable information at the date of preparation of these financial statements. The economic support measures put in place by the Government to support debtors in response to Covid-19 were not considered as measures that automatically trigger a SICR.

Measurement of expected credit losses

As regards the information on the adjustments made to the expected loss measurement models, as previously specified, the Bank uses the estimation model implemented by the IT outsourcer which incorporates the macroeconomic scenarios, implemented by a leading supplier; for the purpose of calculating the impairment, these scenarios weigh: base scenario at 90%, scenario up at 5% and scenario down at 5%. Details of the main scenario used (base scenario) are shown below.

BASIC SCENARIO		2020	2021	2022	2023	2024	2025
Brent oil: $ per barrel	level	43.00	69.00	70.00	67.00	66.00	67.00
Dollar euro exchange rate	level	1.14	1.19	1.18	1.19	1.19	1.20
EMU refinancing rate	level %	0.00	0.00	0.00	0.00	0.25	0.50
10Y Bund interest rate	level %	-0.51	-0.38	-0.03	0.27	0.59	0.87
10Y BTP-Bund Spread	level %	1.64	1.07	0.99	0.94	0.91	0.87
developing countries GDP	% change	-2.20	6.10	4.10	4.10	4.00	4.10
US GDP	% change	-3.40	6.00	4.10	2.50	2.40	2.10
EMU GDP	% change	-6.50	5.00	4.20	2.60	1.90	1.60
Italy stock index	% change	-6.20	24.50	8.10	6.90	9.40	9.50
Italy GDP	% change	-8.90	6.00	3.80	2.80	2.00	1.60
Imports of goods and services FOB	% change	-13.10	13.20	11.90	7.20	5.60	5.00
Expenditure by households and Isp	% change	-10.70	4.80	3.80	2.80	2.60	2.40
Expenditure by public administrations	% change	1.60	1.40	0.50	0.10	-0.20	-0.10
Investments in construction	% change	-6.60	21.60	8.00	7.10	3.90	2.80
Investments in machinery, equipment various products, mt	% change	-11.30	11.20	9.40	6.20	5.70	4.30
Exports of goods and services FOB	% change	-14.50	12.60	9.20	5.80	3.60	3.20
Consumption propensity	level %	84.70	85.90	87.90	89.50	90.90	92.10
Consumer prices	% change	-0.10	1.80	1.50	1.40	1.70	1.80
Employment rate	level %	59.30	59.90	60.90	61.90	63.10	64.20
Unemployment rate	level %	9.30	9.80	10.40	10.30	9.40	8.70

BASIC SCENARIO

		2020	2021	2022	2023	2024	2025
Total loans adjusted for disposals	% change	2.20	1.50	2.30	2.20	2.00	1.80
Total loans	% change	0.50	0.30	1.60	1.70	1.60	1.60
Loans to non-financial companies	% change	5.80	-1.40	0.60	0.90	0.80	0.90
Loans to households	% change	1.60	3.10	3.30	3.00	2.90	2.90
Bad loans	% change	-28.70	-22.40	-0.50	-9.80	-18.00	-19.70
Households, (total assets, stocks)	% change	2.20	5.80	3.10	2.70	2.10	1.80
- liquidity portion	level %	32.80	32.30	31.80	31.00	30.30	29.50
- portion of securities	level %	5.20	4.50	4.10	3.80	3.70	3.70
- portion of mutual funds	level %	14.40	15.00	15.50	15.90	16.20	16.50
- portion of technical reserves	level %	24.90	24.70	25.10	25.50	25.90	26.30
- portion of shares and equity investments	level %	19.60	20.40	20.60	20.80	21.00	21.10
Average interest rate on loans	level %	2.37	2.22	2.22	2.31	2.49	2.63
3-month EMU interbank rate	level %	-0.41	-0.53	-0.49	-0.38	-0.14	0.07
3Y EURIRS interest rate	level %	-0.39	-0.40	-0.09	0.11	0.40	0.63
10Y EURIRS interest rate	level %	-0.13	0.03	0.38	0.66	0.97	1.23
3Y BTP interest rate	level %	0.19	-0.27	-0.17	-0.01	0.29	0.52
10Y BTP interest rate	level %	1.13	0.69	0.96	1.21	1.50	1.74

2.4 Credit risk mitigation techniques

Credit risk mitigation techniques represent a tool for reducing or transferring part of the credit risk on the exposures originated and reducing the loss that would occur in the event of counterparty default (Loss given default).

Credit risk mitigation is implemented by favouring mainly transactions backed by collateral. Loans and disbursements are granted by the delegated corporate bodies only following a careful and weighted analysis of creditworthiness and of the validity and consistency of the guarantees provided. Guarantees must be explicit and must not be subject to conditions, as required by the Supervisory Instructions.

The real guarantees most used by the Bank are represented by mortgages on residential and non-residential properties, pledges on financial instruments and liquidity. With the aim of identifying and preventing deterioration in the value of the guarantees held, the estimated or appraisal value of the asset (net of any encumbrances) or the market value, in the case of listed securities, is monitored on the collateral. For movable assets taken as collateral, and subject to fluctuations in values, a "spread" is applied to the counter-value that is subject to periodic reviews and in any case whenever there are significant decreases in their price. With regard to mortgages, the value of the properties is periodically reviewed. To this end, the Bank makes use of third parties with proven experience based on the provisions of article 120 duodecies of the Consolidated Banking Law and the implementing provisions of the Bank of Italy.

In the case of personal guarantees received, the guarantor must undertake a legally binding commitment to satisfy the obligations relating to one or more credit concessions pertaining to a specific subject. With reference to "letters of patronage", only those that do not have the declaratory nature of a parent company's shareholding relationship are to be considered, but those for which the guarantee function is pre-eminent, so that the commitment assumed can actually be configured as a surety-type obligation, with an ancillary nature compared to the main one of the subsidiary.

3. Non-performing credit exposures

3.1 Management strategies and policies

The classification of non-performing financial assets into the various categories of "default" takes place in compliance with the instructions issued by the Supervisory Authority as indicated in Circular 272 of the Bank of Italy of 2008 (as subsequently updated). Loans classified as bad loans are subject to an analytical assessment process by the Credit Committee, the Credit Department and the Risk Management Function which analyse the position and the Guarantees held in order to estimate their presumed realisable value. The analysis carried out follows criteria precisely defined within the company policies. In this context, the recovery times Time value on bad loans are also stable. Non-performing loans (UTP and Past due), consistently with the provisions of IFRS 9, are subject to a fund valuation process that includes forward looking valuation.

In consideration of the small number of positions classified as past-due or UTP, and with the aim of carrying out as refined an assessment as possible, the Bank also carries out analytical assessments of non-performing loans using the same logic provided for loans classified as bad loans, where peculiarities are identified that make the analytical evaluation more reliable than the statistical one.

The monitoring of loans granted to customers is carried out by the Risk Control OU which, with the support of automated IT tools, prepares adequate reports for the Top Management at a predetermined frequency. The subsequent assessment and classification of non-performing loans is carried out by specific committees set up within the Bank which each time assess the individual credit exposures, the creditworthiness of customers, the guarantees and any other factor that may affect the assessment of the credit exposures.

With reference to bad loans, management is carried out by the Legal Department for recovery activities.

3.2 Write-offs

The write-off constitutes an event that gives rise to an accounting derecognition when there are no longer reasonable expectations of recovering the financial asset. It can occur before the legal actions for the recovery of the financial asset have ended and does not necessarily involve the waiver of the legal right to recover the credit by the bank.

The write-off can concern the entire amount of a financial asset or a portion of it and corresponds to:

- the reversal of total impairment losses, as a contra entry to the gross value of the financial asset, and
- for the part exceeding the total impairment losses, to the impairment of the financial asset recognised directly in the income statement.

Any recoveries from collections subsequent to the write-off are recognised in the income statement under write-backs.

The term “total write-offs ” means the cumulative amounts of partial and total write-offs on financial assets.

During the year ended December 31, 2021, the amount of the positions subject to write-off is equal to 802 thousand euros.

3.3 Acquired or originated impaired financial assets

They represent exposures that meet the definition of acquired or originated impaired financial asset as per Appendix A of IFRS 9. This includes, inter alia, non-performing credit exposures acquired as part of disposal transactions (individual or portfolio) and business combinations.
At 31 December 2021, the Bank does not hold financial assets falling under this category.

4. Financial assets subject to commercial renegotiations and forborne exposures

Forborne exposures are defined as those deriving from concessions made in the presence of both of the following two conditions:

- the debtor, due to their own financial difficulties, is (or is close to becoming) unable to comply with the terms of the contract;
- the lender makes a favourable concession to the debtor due to the difficulties highlighted.

The forborne attribute is assigned at the level of a single credit line upon the occurrence of specific conditions of difficulty of the debtor in fulfilling their obligations, associated with an activity of the Bank aimed at overcoming such difficulties (forbearance measures).
Forborne exposures can be found both within the categories of non-performing loans and in the category of performing loans, in relation to the risk status of the exposure at the time of the concession.
With reference to the two main directives, dictated by the EBA in primis, by Circular no. 272 and clarified and made explicit with the Consultation Report drawn up by Banca Italia, the Bank sets the following lines for:

- the identification of forbearance measures;
- the management and monitoring of the loans subject to these measures.

In general, the following forborne measures are identified:

a) extension of the expiry date of the loan;
b) reduction of the interest rate applied;
c) transformation of the credit line from maturity to revocation;
d) modification of the instalment deadline frequency;
e) change in the type of amortisation.

According to internal policies, the concessions made by the Bank to debtors who do not present conditions of financial difficulty are excluded considering:

- either earning capacity;
- or their credit reserve in the banking system and their ability to obtain financing from the same.

The attribution of the forborne status is the responsibility of the body deliberating the granting of the forbearance measure. The management of the loans subject to forborne measures takes place through the IT procedure and the monitoring provides, among other things, a quarterly information report to the Credit Committee.

At 31 December 2021 there were 47 “forborne” exposures, of which:

- 21 non-performing positions totalling 39,141 thousand euros (18,928 thousand euros net of write-downs), of which 3 positions included among bad loans of 26,504 thousand euros, 17 positions included among unlikely-to-pay of 12,362 thousand euros and one position included among past due of 275 thousand euros.
- 26 performing positions totalling 15,728 thousand euros.

In several documents, the EBA has clarified that the legislative moratoriums granted in response to the Covid 19 emergency do not involve an automatic classification of the position as forbearance.
Banca Finnat has defined the criteria which, if respected, do not lead to the classification as forborne of a position that benefited from the moratorium.
As regards the SICR assessing process and measuring the expected losses, please refer to the previous paragraph "2.3 Methods of measuring expected losses", sub-paragraph "Changes due to Covid-19".

Quantitative information

A. Credit quality

A.1 Non-performing and performing exposures: consistency, impairment losses, dynamics, economic distribution

A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolios/Quality	Bad loans	Probable defaults	Non-performing past due exposures	Past due performing exposures	Other performing exposures	Total
1. Financial assets at amortised cost	11,789	10,187	1,079	2,375	1,306,535	1,331,965
2. Financial assets at fair value through other comprehensive income	-	-	-	-	330,291	330,291
3. Financial assets at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	1,001	1,001
5. Financial assets under disposal	-	-	-	-	-	-
Total 2021	11,789	10,187	1,079	2,375	1,637,827	1,663,257
Total 2020	11,518	9,832	173	6,065	1,640,596	1,668,184

A.1.2 Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

Portfolios/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure	Total partial write-offs*	Gross exposure	Total impairment losses	Net exposure	
1. Financial assets at amortised cost	50,061	27,006	23,055	41	1,310,889	1,979	1,308,910	1,331,965
2. Financial assets at fair value through other comprehensive income	-	-	-	-	330,370	79	330,291	330,291
3. Financial assets at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	1,001	1,001
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 2021	50,061	27,006	23,055	41	1,641,259	2,058	1,640,202	1,663,257
Total 2020	47,779	26,257	21,522	-	1,649,726	3,065	1,646,661	1,668,183

* Value to be displayed for information purposes

Portfolios/Quality	Assets of obvious poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	2,574
2. Hedging derivatives	-	-	-
Total 2021	-	-	2,574
Total 2020	-	-	630

A.1.3 Distribution of financial assets by past due bands (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	1 day to 30 days	More than 30 days up to 90 days	Over 90 days	1 day to 30 days	More than 30 days up to 90 days	Over 90 days	1 day to 30 days	More than 30 days up to 90 days	Over 90 days
1. Financial assets at amortised cost	1,209	-	-	746	420	-	1,536	-	20,087
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-
Total 2021	1,209	-	-	746	420	-	1,536	-	20,087
Total 2020	1,656	-	41	1,193	1,853	1,323	7,567	47	11,926

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A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of total impairment losses and total provisions (1 of 3)

Risk reason/stages	Total impairment losses											
	Assets falling under stage 1						Assets falling under stage 2					
	Loans to banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs
Opening overall adjustments	40	1,440	100	-	1,580	-	-	1,485	-	-	1,485	-
Increases from acquired or originated financial assets	-	366	38	-	404	-	-	65	-	-	65	-
Cancellations other than write-offs	-	(192)	(42)	-	(234)	-	-	(236)	-	-	(236)	-
Net impairment losses for credit risk	28	(239)	(16)	-	(227)	-	-	(563)	-	-	(563)	-
Contractual modification without cancellations	-	(1)	-	-	(1)	-	-	(147)	-	-	(147)	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Closing overall adjustments	68	1,374	80	-	1,522	-	-	604	-	-	604	-
Recoveries from financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(3)	-	-	(3)	-	-	-	-	-	-	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of total impairment losses and total provisions (2 of 3)

Risk reason/stages	Total impairment losses										
	Assets falling under stage 3						Acquired or originated impaired financial assets				
	Loans to banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs
Opening overall adjustments	-	26,257	-	-	26,257	-	-	-	-	-	-
Increases from acquired or originated financial assets	-	72	-	-	72	-	X	X	X	X	X
Cancellations other than write-offs	-	(46)	-	-	(46)	-	-	-	-	-	-
Net impairment losses for credit risk	-	1,521	-	-	1,521	-	-	-	-	-	-
Contractual modification without cancellations	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(798)	-	-	(798)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-
Closing overall adjustments	-	27,006	-	-	27,006	-	-	-	-	-	-
Recoveries from financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(1)	-	-	(1)	-	-	-	-	-	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of total impairment losses and total provisions (3 of 3)

Risk reason/stages	Overall provisions on commitments to disburse funds and financial guarantees issued				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and impaired acquired or originated financial guarantees issued	
Opening overall adjustments	211	21	13	-	29,567
Increases from acquired or originated financial assets	11	-	-	-	552
Cancellations other than write-offs	(8)	(1)	-	-	(525)
Net impairment losses for credit risk	(175)	(17)	-	-	539
Contractual modification without cancellations	-	-	-	-	(148)
Changes in the estimation methodology	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	(798)
Other changes	-	-	-	-	-
Closing overall adjustments	39	3	13	-	29,187
Recoveries from financial assets subject to write-offs	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	(4)

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A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	from stage 1 to stage 2	from stage 2 to stage 1	from stage 2 to stage 3	from stage 3 to stage 2	from stage 1 to stage 3	from stage 3 to stage 1
1. Financial assets at amortised cost	24,039	14,767	4,002	50	532	1
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Commitments to disburse funds and financial guarantees issued	277	1,096	-	-	-	-
Total 2021	24,316	15,863	4,002	50	532	1
Total 2020	41,306	11,642	11,968	600	162	-

A.1.5a Loans subject to Covid-19 support measures: transfers between the different stages of credit risk (gross values)

Portfolios/risk stages	Gross values					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	from stage 1 to stage 2	from stage 2 to stage 1	from stage 2 to stage 3	from stage 3 to stage 2	from stage 1 to stage 3	from stage 3 to stage 1
A. Financial assets at amortised cost	-	8,814	-	-	-	-
A.1 forborne performing exposure compliant with GL	-	76	-	-	-	-
A.2 subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	8,713	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 New loans	-	25	-	-	-	-
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
B.1 forborne performing exposure compliant with GL	-	-	-	-	-	-
B.2 subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-
B.3 subject to other forbearance measures						
B.4 New loans	-	-	-	-	-	-
Total 2021	-	8,814	-	-	-	-
Total 2020	10,871	86	-	-	-	-

A.1.6 On-balance sheet and off-balance sheet credit exposures to banks: gross and net values

Type of exposures/Amounts		Gross exposure				Total impairment losses and overall provisions					Net exposure	Total partial write-offs*
			Stage 1	Stage 2	Stage 3	Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
A.	On-balance sheet credit exposures												
A.1	On demand												
a)	Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	78,751	78,751	-	X	-	68	68	-	X	-	78,683	-
A.2	Other											-	-
a)	Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne performing exposures	-	X	-	-	-	-	X	-	-	-	-	-
b)	Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne performing exposures	-	X	-	-	-	-	X	-	-	-	-	-
c)	Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne performing exposures	-	X	-	-	-	-	X	-	-	-	-	-
d)	Past due performing exposures	-	-	-	X	-	-	-	-	X	-	-	-
	- of which: forborne performing exposures	-	-	-	X	-	-	-	-	X	-	-	-
e)	Other performing exposures	67,185	67,166	-	X	-	23	23	-	X	-	67,162	-
	- of which: forborne performing exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)		145,936	145,917	-	-	-	91	91	-	-	-	145,845	-
B.	Off-balance sheet credit exposures												
a)	Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	700	649	-	X	-	1	1	-	X	-	699	-
Total (B)		700	649	-	-	-	1	1	-	-	-	699	-
Total (A+B)		146,636	146,566	-	-	-	92	92	-	-	-	146,544	-

* Value to be displayed for information purposes.

A.1.7 On-balance sheet and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/Amounts	Gross exposure					Total impairment losses and overall provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
A. On-balance sheet credit exposures												
a) Bad loans	35,863	X	-	35,863	-	24,074	X	-	24,074	-	11,789	41
- of which: forborne performing exposures	26,504	X	-	26,504	-	17,407	X	-	17,407	-	9,097	-
b) Unlikely to pay	13,090	X	-	13,090	-	2,903	X	-	2,903	-	10,187	-
- of which: forborne performing exposures	12,362	X	-	12,362	-	2,802	X	-	2,802	-	9,560	-
c) Non-performing past due exposures	1,108	X	-	1,108	-	29	X	-	29	-	1,079	-
- of which: forborne performing exposures	275	X	-	275	-	5	X	-	5	-	270	-
d) Past due performing exposures	2,398	1,210	1,188	X	-	23	1	22	X	-	2,375	-
- of which: forborne performing exposures	1,050	-	1,050	X	-	21	-	21	X	-	1,029	-
e) Other performing exposures	1,573,482	1,516,220	55,475	X	-	2,012	1,432	581	X	-	1,571,470	-
- of which: forborne performing exposures	14,678	-	14,678	X	-	203	-	203	X	-	14,475	-
Total (A)	1,625,941	1,517,430	56,663	50,061	-	29,041	1,433	603	27,006	-	1,596,900	41
B. Off-balance sheet credit exposures												
a) Non-performing	462	X	-	299	-	13	X	-	13	-	449	-
b) Performing	227,057	33,696	4,296	X	-	42	38	4	X	-	227,015	-
Total (B)	227,519	33,696	4,296	299	-	55	38	4	13	-	227,464	-
Total (A+B)	1,853,460	1,551,126	60,959	50,360	-	29,096	1,471	607	27,019	-	1,824,364	41

* Value to be displayed for information purposes.

A.1.7a Loans subject to Covid-19 support measures: gross and net values

Type of exposures/Amounts	Gross exposure					Total impairment losses and overall provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
A. Bad loans:	-	-	-	-	-	-	-	-	-	-	-	-
a) Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans in unlikely to pay:	-	-	-	-	-	-	-	-	-	-	-	-
a) Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
C. Non-performing past due loans:	-	-	-	-	-	-	-	-	-	-	-	-
a) Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
D. Performing past due loans:	-	-	-	-	-	-	-	-	-	-	-	-
a) Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
E. Other performing loans:	30,542	29,058	1,484	-	-	228	190	38	-	-	30,314	-
a) Forborne performing exposure compliant with GL	1,571	1,571	-	-	-	3	3	-	-	-	1,568	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	16,756	15,272	1,484	-	-	208	170	38	-	-	16,548	-
c) Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	12,215	12,215	-	-	-	17	17	-	-	-	12,198	-
Total (A+B+C+D+E)	30,542	29,058	1,484	-	-	228	190	38	-	-	30,314	-

* Value to be displayed for information purposes.

A.1.9 On-balance sheet credit exposures to customers: dynamics of gross non-performing exposures

Reasons/Categories	Bad loans	Probable defaults	Non-performing past due exposures
A. Initial gross exposure	34,097	13,488	194
- of which: non-derecognised sold exposures			
B. Increases	3,270	3,991	1,098
B.1 inflows from performing exposures	55	3,607	1,090
B.2 inflows from acquired or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	92	1	-
B.4 Contractual modification without cancellations	-	-	-
B.5 other increases	3,123	383	8
C. Decreases	1,504	4,389	184
C.1 outflows to performing exposures	-	-	-
C.2 Write-offs	740	60	-
C.3 collections	764	4,206	176
C.4 realisations from disposals	-	-	-
C.5 losses from disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	-	92	1
C.7 Contractual modification without cancellations	-	-	-
C.8 other decreases	-	31	7
D. Final gross exposure	35,863	13,090	1,108
- of which: non-derecognised sold exposures			

A.1.9bis On-balance sheet credit exposures to customers: dynamics of gross exposures forborne performing exposures broken down by credit quality

Reason/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	37,105	12,887
- of which: non-derecognised sold exposures		
B. Increases	7,007	9,797
B.1 inflows from not forborne non-performing exposures	475	9,124
B.2 inflows from forborne performing exposures	3,262	X
B.3 inflows from forborne non-performing exposures	X	-
B.4 other increases	3,270	673
C. Decreases	4,971	6,956
C.1 outflows to not forborne performing exposures	X	-
C.2 outflows to forborne performing exposures	-	X
C.3 outflows to forborne non-performing exposures	X	3,262
C.4 Write-offs	133	-
C.5 collections	3,990	3,631
C.6 realisations from disposals	-	-
C.7 losses from disposal	-	-
C.8 other decreases	848	63
D. Final gross exposure	39,141	15,728
- of which: non-derecognised sold exposures		

A.1.11 Non-performing on-balance sheet credit exposures to customers: dynamics of total impairment losses

Reasons/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne performing exposures	Total	of which: forborne performing exposures	Total	of which: forborne performing exposures
A. Opening overall adjustments	22,579	15,273	3,656	3,376	22	-
- of which: non-derecognised sold exposures						
B. Increases	2,622	2,409	1,387	1,358	26	5
B.1 impairment losses from acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	950	876	1,387	1,358	26	5
B.3 losses from disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	1,672	1,533	-	-	-	-
B.5 contractual modification without cancellations	-	X	-	X	-	X
B.6 other increases	-	-	-	-	-	-
C. Decreases	1,127	275	2,140	1,932	19	-
C.1 write-backs from valuation	268	124	391	390	1	-
C.2 write-backs from collection	119	18	19	9	18	-
C.3 gains from disposals	-	-	-	-	-	-
C.4 write-offs	740	133	58	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	1,672	1,533	-	-
C.6 contractual modification without cancellations	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Closing overall adjustments	24,074	17,407	2,903	2,802	29	5
- of which: non-derecognised sold exposures						

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

A.2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees issued: by external rating classes (gross values)

Exposures	External rating classes						Without rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets at amortised cost	-	-	751,757	-	-	-	609,193	1,360,950
- Stage 1	-	-	751,757	-	-	-	502,470	1,254,227
- Stage 2	-	-	-	-	-	-	56,663	56,663
- Stage 3	-	-	-	-	-	-	50,060	50,060
- Acquired or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets at fair value through other comprehensive income	-	3,525	318,016	8,324	-	-	505	330,370
- Stage 1	-	3,525	318,016	8,324	-	-	505	330,370
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets under disposal	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	-	3,525	1,069,773	8,324	-	-	609,698	1,691,320
D. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-	38,941	38,941
- Stage 1	-	-	-	-	-	-	34,345	34,345
- Stage 2	-	-	-	-	-	-	4,297	4,297
- Stage 3	-	-	-	-	-	-	299	299
- Acquired or originated impaired	-	-	-	-	-	-	-	-
Total D	-	-	-	-	-	-	38,941	38,941
Total (A+B+C+D)	-	3,525	1,069,773	8,324	-	-	648,639	1,730,261

A.2.2 Distribution of financial assets, commitments to disburse funds and financial guarantees issued: by external rating classes (gross values)

The table in question is not filled in as the Bank does not make use of internal ratings.

A.3. Breakdown of guaranteed credit exposures by type of guarantee

A.3.2 Guaranteed on-balance sheet and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)										Total (1)+(2)
							Credit derivatives					Unsecured loans					
			Property - mortgages	Property - financial leases	Securities	Other collateral	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other subjects		
								Central counterparties	Banks	Other financial companies	Other subjects						
1. Secured on-balance sheet credit exposures	396,179	369,680	144,735	-	122,058	76,787	-	-	-	-	-	10,772	1,687	518	4,418		360,975
1.1 fully guaranteed	346,659	337,695	137,914	-	120,167	69,056	-	-	-	-	-	5,584	-	518	4,384		337,623
- of which non-performing	20,131	12,293	12,233	-	-	-	-	-	-	-	-	-	-	-	60		12,293
1.2 partially guaranteed	49,520	31,985	6,821	-	1,891	7,731	-	-	-	-	-	5,188	1,687	-	34		23,352
- of which non-performing	27,514	10,107	5,407	-	74	1,000	-	-	-	-	-	-	-	-	-		6,481
2. Guaranteed off-balance-sheet credit exposures	99,877	99,829	11,781	-	37,563	40,834	-	-	-	-	-	-	-	-	1,019		91,197
2.1 fully guaranteed	80,623	80,579	11,781	-	31,106	36,674	-	-	-	-	-	-	-	-	1,019		80,580
- of which non-performing	442	430	143	-	-	286	-	-	-	-	-	-	-	-	-		429
2.2 partially guaranteed	19,254	19,250	-	-	6,457	4,160	-	-	-	-	-	-	-	-	-		10,617
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

B. Breakdown and concentration of credit exposures

B.1 Sector breakdown of on-balance and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	124	5	-	-	10,463	22,983	1,202	1,086
- of which: forborne performing exposures	-	-	-	-	-	-	9,098	17,407	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	7,416	2,374	2,771	529
- of which: forborne performing exposures	-	-	-	-	-	-	6,898	2,279	2,662	523
A.3 Non-performing past due exposures	-	-	1	-	-	-	503	9	575	20
- of which: forborne performing exposures	-	-	-	-	-	-	-	-	270	5
A.4 Performing exposures	1,045,393	184	194,583	420	800	5	169,856	968	164,013	463
- of which: forborne performing exposures	-	-	69	1	-	-	12,657	212	2,778	11
Total (A)	1,045,393	184	194,708	425	800	5	188,238	26,334	168,561	2,098
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	304	13	145	-
B.2 Performing exposure	-	-	63,886	4	27	-	100,169	29	62,960	9
Total (B)	-	-	63,886	4	27	-	100,473	42	63,105	9
Total (A+B) 31.12.2021	1,045,393	184	258,594	429	827	5	288,711	26,376	231,666	2,107
Total (A+B) 31.12.2020	1,145,238	222	147,985	297	9	-	291,380	27,146	195,599	1,801

B.2 Geographic breakdown of on-balance and off-balance sheet credit exposures to customers

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	11,721	23,970	68	104	-	-	-	-	-	-
A.2 Unlikely to pay	10,187	2,903	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	1,079	29	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,553,629	1,978	20,156	56	60	1	-	-	-	-
Total (A)	1,576,616	28,880	20,224	160	60	1	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	449	13	-	-	-	-	-	-	-	-
B.2 Performing exposure	225,628	42	1,097	-	290	-	-	-	-	-
Total (B)	226,077	55	1,097	-	290	-	-	-	-	-
Total (A+B) 31.12.2021	1,802,693	28,935	21,321	160	350	1	-	-	-	-
Total (A+B) 31.12.2020	1,763,723	29,450	16,227	16	252	-	-	-	-	-

B.3 Geographic breakdown of on-balance and off-balance sheet credit exposures to banks

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	139,834	87	5,880	4	131	-	-	-	-	-
Total (A)	139,834	87	5,880	4	131	-	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposure	699	1	-	-	-	-	-	-	-	-
Total (B)	699	1	-	-	-	-	-	-	-	-
Total (A+B) 31.12.2021	140,533	88	5,880	4	131	-	-	-	-	-
Total (A+B) 31.12.2020	114,086	68	13,059	33	121	-	-	-	-	-

B.4 Large exposures

a) Amount (book value) 2,233,145 thousand euros
b) Amount (weighted value) 143,310 thousand euros
c) Number 8

The provisions contained in EC Regulation no. 575/2013 establish that large exposure means the exposure of an institution to a customer or a group of connected customers with a value equal to or greater than 10% of the eligible capital of the institution.

The same provisions state that the amount of an institution's exposure to a single client or group of connected clients may not exceed 25% of the institution's eligible capital. The amount of 25% obviously takes into account the credit risk mitigation techniques, the type of guarantee acquired and the debtor counterparty.

With the aim of containing Large Exposures within the limits set by the regulatory provisions, the corporate control functions carry out ex ante controls on new loans and periodically verify the Bank's overall exposure to customers or groups of connected customers which fall into the category of large exposures. The internal policies also provide for the preparation of adequate reporting to the corporate bodies.

C. Securitisation transaction

Qualitative information

The Bank did not carry out any securitisation transactions. At the financial statements date, there are no transactions of this nature issued by the Bank.

In the year 2021, the Bank subscribed a subordinated debt instrument issued pursuant to the Securitisation Law for a nominal amount of 2,600 thousand euros. This security was included among Financial assets valued at amortised cost.

Quantitative information

C.2 Exposures deriving from main "third party" securitisation transactions broken down by type of securitised asset and by type of exposure (1 of 2)

Type of underlying assets/Exposures	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/value recoveries	Book value	Adjustments/value recoveries	Book value	Adjustments/value recoveries
Mb Bond/Ts Abs 20281109 Sen growth	2,612	(18)	-	-	-	-

C.2 Exposures deriving from main "third party" securitisation transactions broken down by type of securitised asset and by type of exposure (2 of 2)

Type of underlying assets/Exposures	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjustments/value recoveries	Net exposure	Adjustments/value recoveries	Net exposure	Adjustments/value recoveries	Net exposure	Adjustments/value recoveries	Net exposure	Adjustments/value recoveries	Net exposure	Adjustments/value recoveries
Mb Bond/Ts Abs 20281109 Sen growth	-	-	-	-	-	-	-	-	-	-	-	-

E. Transfer transactions

A. Financial assets sold and not fully cancelled

Qualitative information

Financial assets sold and not fully cancelled refer to Government Bonds used in repurchase agreements for collection carried out exclusively with the Compensation and Guarantee Fund.

Quantitative information

E.1 Fully recognised sold financial assets and associated financial liabilities: book values

	Fully recognised sold financial assets				Associated financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject to sales contracts with repurchase agreement	of which non-performing	Book value	of which: subject of securitisation transactions	of which: subject to sales contracts with repurchase agreement
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	751,627	-	751,627	-	750,671	-	750,671
1. Debt securities	751,627	-	751,627	-	750,671	-	750,671
2. Loans	-	-	-	-	-	-	-
Total 31.12.2021	751,627	-	751,627	-	750,671	-	750,671
Total 31.12.2020	858,807	-	858,807	-	853,159	-	853,159

F. Models for credit risk measurement

Starting from the financial year ended 31 December 2021, the Bank uses a standardised methodology adopting the integral method for the treatment of financial collateral for the purpose of quantifying internal capital (current and prospective) in line with the guidelines defined in the budgeting process and multi-year planning.

In compliance with supervisory provisions, the method adopted by the Bank for quantifying internal capital allows the use of collaterals (pledges and mortgages) and personal guarantees as a form of credit risk mitigation. The bank favours the acquisition of collateral characterised by high liquidity (listed financial instruments) and low price volatility (sovereign government debt securities).

With the aim of verifying the adequacy of internal capital even in the event of adverse circumstances related to the negative trend in loans, the Bank conducts stress tests on credit risk in the context of ICAAP/ILAAP reporting. To carry out these tests, reference is made to macroeconomic and idiosyncratic events which include the increase in default positions, reduction in value of guarantees and the increase in Probability of Default.

E-MARKET SDIR CERTIFIED

Section 2 - Market risks

2.1 Interest rate risk and price risk - Regulatory trading book

Qualitative information

A. General aspects

Market risk was is defined by the Bank as the risk of an unfavourable change in the value of a position in financial instruments, included in the trading book for supervisory purposes, due to adverse trends in interest rates, exchange rates, interest rates inflation, volatility, share prices, credit spreads, commodity prices (generic risk) and issuer creditworthiness (specific risk).

Impacts deriving from the Covid-19 pandemic

With reference to market risk, the Bank did not detect significant impacts on the valuation of financial assets in the trading book as a result of the Covid-19 pandemic. The trading book is in fact of a residual amount and consists almost exclusively of financial instruments characterised by high liquidity.

B. Management processes and methods of measuring interest rate risk and price risk

Interest rate risk

All financial instruments subject to the capital requirements for market risks fall within the "trading book", as defined by the supervisory regulations.

The trading book consists of:
- debt securities;
- equity securities;
- UCI units;
- trading derivatives.

The debt securities present in the portfolio at 31 December 2021 are largely made up of government securities with a limited overall duration. Equity investments mainly concern securities listed on the Italian Stock Exchange and with a high degree of liquidity. The instruments in the portfolio are denominated in Euro.

The Managing Director and the General Management of the Bank provide strategic guidelines regarding the assumption of market risks relating to the acquisition and negotiation of trading securities.

With regard to interest rate risk, the Bank monitors changes in market rates, with the production of specific reports which are provided to the Management.

Price risk

Price risk represents the risk of capital losses on listed financial assets or in any case similar to listed instruments following fluctuations in the price of securities or for factors attributable to the specific situation of the issuer.

The Bank has adopted specific internal regulations that govern and limit the assumption of risk towards certain types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility, etc.)

Stress limits have also been identified and envisaged which consider simultaneous shocks on credit risk - increases in spreads and decreases in share prices.

The methodology adopted for calculating the VAR is historical, the bank uses a 2-year holding period, a confidence interval of 99% and a daily time horizon to quantify the expected risk.

The bond trading book is mainly represented by government debt securities. The price risk is consequently linked to the specific situation of the issuer.

As regards the portfolio relating to equity instruments, it should be noted that it includes, almost exclusively, listed shares with a high degree of liquidity.

Finally, with reference to the management of market risks, it should be noted that transactions with particular characteristics in terms of structure, type of issuer or risk are subject to scrutiny by the Managing Director and by the General Management, which carries out a specific assessment of the risk profiles associated with them.

E-MARKET SDIR CERTIFIED

Quantitative information

1. Regulatory trading book: breakdown by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives
(currency of denomination: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	6	3	-	479	18	296	-	-
1.1. Debt securities	6	3	-	479	18	296	-	-
- with early repayment option	6	2	-	5	15	296	-	-
- other	-	1	-	474	3	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,721	-	-	-	-	-	-
3.1 With underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	4,721	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	4,721	-	-	-	-	-	-
+ Long positions	-	2,405	-	-	-	-	-	-
+ Short positions	-	2,316	-	-	-	-	-	-

1. Regulatory trading book: breakdown by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives
(currency of denomination: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,972	-	-	-	-	-	-
3.1 With underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	4,972	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	4,972	-	-	-	-	-	-
+ Long positions	-	2,441	-	-	-	-	-	-
+ Short positions	-	2,531	-	-	-	-	-	-

2. Regulatory trading book: breakdown of exposures in equity instruments and equity indices for the main listing market countries

Type of transactions/Quotation index	Listed	Unlisted
	Italy	
A. Equity instruments		
- long positions	1,055	-
- short positions	-	-
B. Transactions not yet settled on equity instruments		
- long positions	36	-
- short positions	111	-
C. Other equity derivatives		
- long positions	9,768	-
- short positions	9,606	-
D. Derivatives on equity indices		
- long positions	-	4,194
- short positions	4,212	-

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2.2 Interest rate risk and price risk - Banking book

Qualitative information

A. *General aspects, management processes and methods of measuring interest rate risk and price risk*

Interest rate risk

The interest rate risk relating to the banking book is defined as the current and future risk of volatility of profits or capital deriving from adverse movements in interest rates. From the definition of the interest rate risk it is clear that this risk is generated by imbalances arising from the core business as a consequence of the difference in the maturities and in the redefinition periods of the interest rate conditions of assets and liabilities. The Bank's interest rate risk management policy on the banking book is aimed at stabilising the interest margin on the banking book.

The Bank's internal structures periodically monitor and provide the Bank's Top Management and Board of Directors with adequate reporting on the interest rate risk of the banking book. In addition, stress tests on the interest rate risk of the Repricing Gap and Duration Gap type banking book are carried out at pre-established intervals. The operational limits to the assumption of risk have been defined by the Bank's Board of Directors and are periodically reviewed by the same.

The banking book consists of assets and liabilities financial instruments not included in the portfolio consisting of trading securities. It is mainly composed of receivables and payables from banks and customers as well as from management hedging derivatives.

With regard to the banking book, in relation to interest rate risk, please note the following:

Cash assets

- debt securities all in Euro amount to a total of 1,084 million euros and are represented by securities present in the portfolio of Financial Assets at amortised cost for 754 million euros and those present in the portfolio of Financial Assets measured at fair value through comprehensive income for 330 million euros. Debt securities are mainly represented by Government Bonds maturing in 2022 for 541 million euros, maturing in 2023 for 10 million euros, maturing in 2024 for 300 million euros, maturing in 2025 for 41 million euros, maturing in 2026 for 131 million euros and maturing in 2029 for 5 million euros;
- loans to banks (Euro and currencies), are represented for 78 million euros by deposits and current accounts on demand mainly at variable rate, for 54 million euros by other loans at variable rate (of which 6 million euros for compulsory reserve);
- loans to customers (Euros and currencies), for a total of 523 million euros, are represented by current account credit lines for 203 million euros, loans granted to customers for 169 million euros, mostly at variable rates, and repurchase agreements for 26 million euros and from other loans for 125 million euros.

Cash liabilities

- amounts due to customers (Euros and currencies) amount to a total of 1,653 million euros and are mainly represented by fixed-rate time deposits for 187 million euros (maturing in 2022 for a nominal amount of 46 million euros, in 2023 for a nominal value of 29 million euros, in 2024 for a nominal amount of 39 million euros, in 2025 for a nominal amount of 31 million euros and by 2030 for a nominal value of 23 million euros), from current accounts that are variable or reviewable fixed rate for 680 million euros, from repurchase agreements on securities listed on regulated markets for 751 million euros;
- payables to banks (Euro and currencies) refer to loans and deposits for a total of 0.4 million euros;

From the above, it can be concluded that the interest rate risk is limited.

Price risk

Price risk represents the risk of capital losses on listed financial assets or in any case similar to listed instruments following fluctuations in the price of securities or for factors attributable to the specific situation of the issuer.

The Bank has adopted specific internal regulations that govern and limit the assumption of risk towards certain types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility, etc.)

Quantitative information

1. Trading book: breakdown by residual duration (repricing date) of financial assets and liabilities (currency of denomination: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	447,332	162,261	274,708	461,187	338,941	6,787	-	-
1.1. Debt securities	-	36,468	255,543	452,132	335,131	6,240	-	-
- with early repayment option	-	-	-	-	11,439	500	-	-
- other	-	36,468	255,543	452,132	323,692	5,740	-	-
1.2 Loans to banks	45,778	40,306	-	-	-	-	-	-
1.3 Loans to customers	401,554	85,487	19,165	9,055	3,810	547	-	-
- c/a	199,979	-	-	-	-	-	-	-
- other loans	201,575	85,487	19,165	9,055	3,810	547	-	-
- with early repayment option	108,435	59,491	18,626	594	1,237	331	-	-
- other	93,140	25,996	539	8,461	2,573	216	-	-
2. Cash liabilities	670,659	377,843	70,922	353,050	132,866	10,798	-	-
2.1 Due to customers	670,267	377,843	70,922	353,050	132,866	10,798	-	-
- c/a	653,142	26,000	11,476	11,630	128,633	7,713	-	-
- other payables	17,125	351,843	59,446	341,420	4,233	3,085	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	17,125	351,843	59,446	341,420	4,233	3,085	-	-
2.2 Due to banks	392	-	-	-	-	-	-	-
- c/a	392	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4	12,202	-	4	-	-	-
3.1 with underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	4	12,202	-	4	-	-	-
- Options	-	4	-	-	4	-	-	-
+ Long positions	-	-	-	-	4	-	-	-
+ Short positions	-	4	-	-	-	-	-	-
- other derivatives	-	-	12,202	-	-	-	-	-
+ Long positions	-	-	12,202	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	727,982	4,218	334	200,710	500,656	139	-	-
+ Long positions	712,057	4,218	334	-	271	139	-	-
+ Short positions	15,925	-	-	200,710	500,385	-	-	-

1. Trading book: breakdown by residual duration (repricing date) of financial assets and liabilities (currency of denomination: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	**50,497**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	46,744	-	-	-	-	-	-	-
1.3 Loans to customers	3,753	-	-	-	-	-	-	-
- c/a	2,871	-	-	-	-	-	-	-
- other loans	882	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	882	-	-	-	-	-	-	-
2. Cash liabilities	**37,728**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	37,728	-	-	-	-	-	-	-
- c/a	28,099	-	-	-	-	-	-	-
- other payables	9,629	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	9,629	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- c/a	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**12,202**	**-**	**-**	**-**	**-**	**-**
3.1 with underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	-	12,202	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	12,202	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	12,202	-	-	-	-	-
4. Other off-balance-sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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2.3 Currency risk

Qualitative information

A. *General aspects, management processes and methods for measuring exchange rate risk*

The management of exchange rate risk is the responsibility of the General Management and the Finance Department carries out trading, hedging and brokerage activities within specific operating limits of a limited amount both for financial assets and liabilities in own currency and as counter-entries to customer transactions.

Exposure to exchange rate risk is normally very low and limited to temporary misalignments in opposite positions. The Bank keeps the risk to a minimum by always monitoring the treasury exposure deriving from temporal mismatching between assets and liabilities.

B. *Exchange risk hedging activities*

At 31 December 2021, two management hedges were open for GBP 7,000 thousand and CHF 4,000 thousand.

Quantitative information

1. Breakdown by currency of denomination of assets, liabilities and derivatives

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss Franc	Other currencies
A. Financial assets	24,579	16,314	52	101	13,536	1,619
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans to banks	22,866	14,349	50	101	7,760	1,618
A.4 Loans to customers	1,713	1,965	2	-	72	1
A.5 Other financial assets	-	-	-	-	5,704	-
B. Other assets	19,280	11,228	53	102	7,726	467
C. Financial liabilities	24,933	8,045	1	-	4,438	311
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	24,933	8,045	1	-	4,438	311
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	4,972	8,331	-	-	3,872	-
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	4,972	8,331	-	-	3,872	-
+ Long positions	2,441	-	-	-	-	-
+ Short positions	2,531	8,331	-	-	3,872	-
Total assets	46,300	27,542	105	203	21,262	2,086
Total liabilities	27,464	16,376	1	-	8,310	311
Imbalance (+/-)	18,836	11,166	104	203	12,952	1,775

Section 3 - Derivative instruments and hedging policies

3.1 Derivative instruments for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

Underlying assets/Types of derivatives	Total 31.12.2021				Total 31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	-	-	4,339	40,722	-	-	3,580	2,660
a) Options	-	-	145	36,510	-	-	900	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	4,194	4,212	-	-	2,680	2,660
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	14,145	-	-	-	11,268	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	14,145	-	-	-	11,268	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-
Total	-	-	18,484	40,722	-	-	14,848	2,660

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/Types of derivatives	Total 31.12.2021				Total 31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Positive fair value								
a) Options	-	-	74	1,244	-	-	76	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	2	-	-	-	2	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	448	-	-	-	-	-
Total	-	-	524	1,244	-	-	78	-
1. Negative fair value								
a) Options	-	-	-	989	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	176	-	-	-	40	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	900	-	-	-	-	-
Total	-	-	1,076	989	-	-	40	-

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not falling under compensation agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional value	X	-	66	4,273
- positive fair value	X	-	34	488
- negative fair value	X	-	-	900
3) Currencies and gold				
- notional value	X	13,174	971	-
- positive fair value	X	2	-	-
- negative fair value	X	174	2	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts falling under compensation agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional values

Underlyings/Residual life	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indices	4,262	74	3	4,339
A.3 Financial derivatives on currencies and gold	14,145	-	-	14,145
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 2021	18,407	74	3	18,484
Total 2020	14,306	516	26	14,848

Section 4 - Liquidity risk

Qualitative information

A. *General aspects, management processes and methods of measuring liquidity risk*

Liquidity risk was defined by the Bank as the possibility of not meeting its payment commitments. The risk under analysis is linked to the inability to raise funds (funding liquidity risk) or to the presence of limits on the disposal of assets (market liquidity risk).
By funding liquidity risk we mean the risk that the Bank is unable to meet their payment commitments and obligations efficiently (with respect to the "desired" risk profile and/or to economic conditions "fair") due to inability to raise funds without compromising its core business and/or financial situation.
Market liquidity risk is the risk that the Bank is unable to liquidate an asset without incurring capital losses due to the limited liquidity of the reference market and/or as a consequence of the timing necessary to carry out the operation.

The analysis of the breakdown of the Bank's financial instruments (assets and liabilities) shows, overall, a limited liquidity risk. In fact, the loan portfolio features a prevalence of on demand and short-term loans both on the interbank market and to customers (as it is largely made up of on demand loans directly linked to private banking). The securities portfolio mainly consists of highly liquid debt securities issued by countries in the Euro area.
As far as sources of funding are concerned, funding consists of current accounts, term deposits, repurchase agreements and the issue of floating rate bonds. The concentration of funding sources, present on leading and consolidated customers, is a consequence of the business model adopted by the Bank which provides for the disbursement of loans and the provision of services to highly selected customers.

The Bank's overall exposure to liquidity risk is therefore kept at modest levels thanks to the structure of the financial portfolio described above.

The ability to promptly and economically meet commitments is implemented through a careful control of the position through the use of IT systems that guarantee continuous monitoring of liquidity requirements which are possibly managed through the use of the interbank deposit market and as an alternative to the Repo market.

On the basis of the supervisory provisions, the Bank has defined guidelines on the governance and management of liquidity risk and the related stress test methods to be carried out. In particular, the roles and responsibilities of the corporate bodies involved, the methodologies for calculating the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) indicators were identified as well as the criteria to be followed for conducting stress tests.
The short-term liquidity management policy, monitored with the LCR indicator, includes the set of limits and alert thresholds that allow, both in normal market conditions and under stress conditions, to measure the exposure to the liquidity risk. The liquidity necessary to cope with any structural imbalances in the composition of assets and liabilities over a time horizon of one year is, however, monitored through the NSFR indicator.
As part of the liquidity risk management process, the Bank's Risk Control Organisational Unit provides to:

- periodically carry out the stress tests for risk measurement identified by the Bank by implementing the necessary measurements to determine the value of the LCR indicator: Liquidity Coverage Ratio (aimed at ensuring that the Bank holds an amount of high quality liquid assets which allow to withstand stressful situations on the funding market over a time span of 30 days) and the NSFR indicator: Net Stable Funding Ratio (aimed at guaranteeing a structural balance of the bank financial statements);
- prepare the reports to be sent to Top Management illustrating the exposure to liquidity risk, also determined on the basis of the stress tests.

From the analyses carried out at 31 December 2021, it is noted that potential cash outflows are fully covered by inflows and the liquidity buffer held by the Bank and therefore no risk situations are identified.

Impacts deriving from the Covid-19 pandemic

With reference to liquidity risk, the Bank did not detect significant impacts as a result of the Covid-19 pandemic. The liquidity buffer and the eligible assets are constantly monitored and are adequate to manage outflows even under stress conditions.

Quantitative information

1. Time distribution by residual contractual duration of financial assets and liabilities (currency of denomination: Euro)

Items/Time bands	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	369,522	61,422	30,073	1,024	27,799	79,082	477,304	581,261	85,147	6,412
A.1 Government bonds	-	-	30,011	-	126	70,340	441,145	478,000	5,000	-
A.2 Other debt securities	6	-	-	120	5	2,695	12,593	36,449	6,407	-
A.3 UCIs units	26,092	-	-	-	-	-	-	-	-	-
A.4 Loans	343,424	61,422	62	904	27,668	6,047	23,566	66,812	73,740	6,412
- Banks	45,819	33,899	-	-	-	-	-	-	-	6,412
- Customers	297,605	27,523	62	904	27,668	6,047	23,566	66,812	73,740	-
Cash liabilities	669,951	770	6,347	163,974	206,768	72,441	351,634	132,866	10,798	-
B.1 Deposits and current accounts	652,826	770	6,347	12,698	6,202	11,517	11,692	128,633	7,713	-
- Banks	392	-	-	-	-	-	-	-	-	-
- Customers	652,434	770	6,347	12,698	6,202	11,517	11,692	128,633	7,713	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	17,125	-	-	151,276	200,566	60,924	339,942	4,233	3,085	-
"Off balance sheet" transactions	881,860	2,829	-	-	3,609	14,564	207,954	514,962	8,976	-
C.1 Financial derivatives with exchange of capital	-	2,779	-	-	1,942	12,202	-	-	-	-
- Long positions	-	1,434	-	-	971	12,202	-	-	-	-
- Short positions	-	1,345	-	-	971	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	3,654	-	-	-	-	-	-	-	-	-
- Long positions	1,766	-	-	-	-	-	-	-	-	-
- Short positions	1,888	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	701,095	-	-	-	-	-	200,710	500,385	-	-
- Long positions	701,095	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	200,710	500,385	-	-
C.4 Commitments to disburse funds	175,260	50	-	-	624	573	5,940	5,061	3,684	-
- Long positions	79,664	50	-	-	624	573	5,940	5,061	3,684	-
- Short positions	95,596	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1,851	-	-	-	1,043	1,789	1,304	9,516	5,292	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

The "Indefinite duration" bank loans refer to the deposit for the Compulsory Reserve.
Item C.1 includes the value of purchases and sales of securities not yet settled.

1. Time distribution by residual contractual duration of financial assets and liabilities (currency of denomination: Other currencies)

Items/Time bands	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	50,572	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	50,572	-	-	-	-	-	-	-	-	-
- Banks	46,784	-	-	-	-	-	-	-	-	-
- Customers	3,788	-	-	-	-	-	-	-	-	-
Cash liabilities	37,728	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	28,099	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	28,099	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	9,629	-	-	-	-	-	-	-	-	-
"Off balance sheet" transactions	492	3,029	-	-	1,942	12,202	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	3,029	-	-	1,942	12,202	-	-	-	-
- Long positions	-	1,470	-	-	971	-	-	-	-	-
- Short positions	-	1,559	-	-	971	12,202	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	492	-	-	-	-	-	-	-	-	-
- Long positions	246	-	-	-	-	-	-	-	-	-
- Short positions	246	-	-	-	-	-	-	-	-	-
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 and quantitative information

A. General aspects, management processes and methods of measuring operational risk

Operational risk means the risk of suffering losses deriving from the inadequacy or malfunction of procedures, human resources and internal systems, or from external events. This type includes, among other things, losses deriving from fraud, human errors, interruptions to operations, unavailability of systems, contractual breaches, natural and/or geopolitical disasters. Operational risk includes legal risk but not strategic and reputational risks.

While adopting a standardised method of calculating operational risks, the Banks carries out an analysis/self-assessment of the same. In order to standardise the operational risk quantification process, the Bank has also formalised the methodology adopted in the document "Operational risk management in Banca Finnat".
The analysis of operational risks and the identification of the processes with the greatest impact are periodically carried out by the Risk Control O.U. in order to promptly identify the business areas and processes presenting the greater operational risk in order to make the necessary corrective actions.
In particular, the analysis focuses on identifying, within the aforementioned operating procedures, the activities that may generate operational risks for the Bank and the related controls to mitigate the same risks.

As regards the quantification of the internal capital placed to support operational risk, as previously mentioned, the Bank uses a basic approach to determine the prudential capital requirements as indicated by the provisions of EC Regulation 575/2013.

In this context, the internal control function verifies the functioning and compliance of the same procedures, their adequacy with respect to the regulations in force as well as the proposed revisions.

Part F – Information on equity

Section 1 - Company equity

Qualitative and quantitative information

The Bank's equity comprises the Share Capital, Reserves, Treasury Shares, Valuation Reserves and Profit for the year. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

The Bank's equity amounts to 254,237 thousand euros and is detailed in the following table.

B.1 Company equity: breakdown

Items/Amounts	Amount at 31.12.2021	Amount at 31.12.2020
1. Share capital	72,576	72,576
2. Share premium	-	-
3. Reserves	123,196	122,057
- income-related	118,954	117,816
a) legal	11,804	11,525
b) statutory	-	-
c) treasury shares	14,059	14,059
d) others	93,091	92,232
- other	4,242	4,241
4. Equity instruments	-	-
5. (Treasury shares)	(14,059)	(14,059)
6. Valuation reserves:	66,845	61,013
- Equity instruments at fair value through other comprehensive income	64,950	58,416
- Hedging of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	777	1,450
- Property, equipment and investment property	-	-
- Intangible assets	-	-
- Foreign investment hedging	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated elements)	-	-
- Exchange differences	-	-
- Non-current assets held for sale and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)	-	-
- Actuarial gains (losses) relating to defined benefit pension plans	(246)	(217)
- Portion of valuation reserves relative to equity-accounted investments	-	-
- Special revaluation laws	1,364	1,364
7. Profit (loss) for the year	5,679	5,581
Total	254,237	247,168

Item 6. Valuation reserves, equal to a total of 66,845 thousand euros, include in the sub-items:

- Equity instruments designated at fair value through comprehensive income for 64,950 thousand euros of which Subsidiaries measured at fair value for 56,234 thousand euros (InvestiRE SGR S.p.A. for 47,730 thousand euros, Finnat Fiduciaria S.p.A. for 1,792 thousand euros, Finnat Gestioni S.A. for 5,287 thousand euros and Natam Management Company S.A. for 1,425 thousand euros) and other equities for 8,716 thousand euros.

- Financial assets (other than equity instruments) at fair value through other comprehensive income: mainly government securities for 777 thousand euros.

- Actuarial gains (losses) relating to defined benefit pension plans: the portion of the IAS post-employment benefits which, according to the provisions of IAS 19, is recognised in valuation reserves for -246 thousand euros.

- Special revaluation laws: revaluations carried out on owned properties pursuant to laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, no. 413 of 30 December 1991 for a total of 1,356 thousand euros and another revaluation of 8 thousand euros carried out in the 1974 financial year.

B.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown

Assets/Amounts	Total 31.12.2021		Total 31.12.2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,245	468	1,450	-
2. Equity instruments	65,473	523	58,904	488
3. Loans	-	-	-	-
Total	66,718	991	60,354	488

The reserve of item 1. Debt securities mainly concerns the adjustment to fair value, net of taxes, of government securities.

The reserve of item 2. Equity instruments includes the adjustment to fair value, net of taxes, of subsidiaries for 56,234 thousand euros.

B.3 Valuation reserves of financial assets at fair value through other comprehensive income: annual changes

	Debt securities	Equity instruments	Loans
1. Opening balances	1,450	58,416	-
2. Positive changes	233	7,558	-
2.1 Fair value increases	195	7,558	-
2.2 Net impairment losses for credit risk	34	X	-
2.3 Reversal to the income statement of negative reserves from realisation	4	X	-
2.4 Transfers to other components of equity (equity instruments)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	906	1,024	-
3.1 Fair value reductions	684	1,024	-
3.2 Value recoveries for credit risk	55	-	-
3.3 Reclassification to the income statement of positive reserves: from realisation	167	X	-
3.4 Transfers to other components of equity (equity instruments)	-	-	-
3.5 Other changes	-	-	-
4. Closing balances	777	64,950	-

The comment to the changes in Valuation reserves of financial assets at fair value through other comprehensive income is illustrated in part D - Comprehensive income.

B.4 Valuation reserves relating to defined benefit plans: annual changes

Reserves relating to defined benefit plans were negative for 246 thousand euros and increased by 29 thousand euros compared to 2020 (negative for 217 thousand euros).

Section 2 – Own funds and capital ratios

For supervisory purposes, the capital aggregate relevant for this purpose is determined on the basis of the provisions in force laid down by the Bank of Italy and constitutes the reference system for prudential supervisory provisions.

Own funds at 31 December 2021 amounted to 248,893 thousand euros (241,646 thousand euros at 31 December 2020), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 41.96% (47.47% at 31 December 2020). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section of the Report on Operations "Market disclosure information". Without this application, Own funds would have been equal to 248,286 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would be equal to 41.90%.

For more details, please refer to the disclosure on own funds and capital adequacy provided at consolidated level and included in the disclosure to the public ("Third Pillar"). The document is published on the Bank's website www.bancafinnat.it, in the Regulated information section.

Part H – Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013 and lastly updated on 16 December 2021.

For further information on related party transactions carried out during the year, please refer to the paragraph in the Report on Operations.

As required by IAS 24, information on related party transactions is provided below.

1. Information on remuneration of management with strategic responsibilities

As a result of the amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annex 3A of the Issuers' Regulation.

2. Information on related party transactions

The following table shows the assets, liabilities, guarantees and commitments at 31 December 2021 separately for different types of related parties under IAS 24.

STATEMENT OF FINANCIAL POSITION	Financial receivables (payables)	Receivables (Payables) for national tax consolidation	Other receivables (payables)	Sureties issued	Available margins on sureties and irrevocable credit lines granted
SUBSIDIARIES	(7,467)	523	774	4,273	-
ASSOCIATED COMPANIES AND JOINT VENTURES	(1,742)	-	-	51	-
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(979)	-	-	-	-
OTHER RELATED PARTIES	(373)	-	262	-	350

Receivables (payables) for the national tax consolidation and Other receivables (payables) are included in the financial statement items "Other assets" and "Other liabilities".

INCOME STATEMENT	Other operating income (Other administrative expenses)	Interest income (expense)	Dividends	Fee and commission income (expense)
SUBSIDIARIES	36	87	3,433	557
ASSOCIATED COMPANIES AND JOINT VENTURES	-	18	-	4

With regard to subsidiaries and associates, the details of the main income statement items are also provided.

Part L – Segment reporting

Availing itself of the option granted by the Bank of Italy in Circular no. 262 of 22 December 2005 and subsequent amendments, the Bank draws up sector information in part L of the Consolidated Notes to the Financial Statements.

PART M - Information on leases

This part provides the information required by IFRS 16 that is not included in the other parts of the financial statements. In particular, rights of use acquired through leases at 31 December 2021 amount to 9,131 thousand euros, of which 8,722 thousand euros relating to property leases. Leasing payables amount to 9,356 thousand euros.

Section 1 - Lessee

QUALITATIVE INFORMATION

At 31 December 2021, there were 46 lease contracts, of which: i) 15 relating to buildings; ii) 2 relating to electronic systems; iii) 29 related to other types (of which 25 cars).

95.5% of the value of the rights of use recorded in the assets of the Statement of financial position refers to real estate lease contracts which mainly include properties intended for use as offices and bank branches and, to a lesser extent, intended for employee accommodation. Real estate leases contracts recognised under rights of use, all relating to assets located in Italy, have a duration of more than 12 months and typically have renewal or termination options that can be exercised by the lessor and the lessee in accordance with the provisions of law or contractual provisions. The contracts do not provide for purchase options of properties on their expiry; furthermore, no significant reinstatement costs are envisaged in the lease contracts.
As required by the Banca Finnat Group Policy, adopted by the companies of the Group to regulate the methods of identification, evaluation and accounting of leases, in the event of signing of new rental contracts, the determination of the duration of the lease is carried out taking into account the expiry of the contracts and any options envisaged by the lease such as, for example, lease extension options or contract termination options. In particular, in the largely prevalent cases of lease contracts drawn up in accordance with the provisions of Italian Law no. 392/1978, with a contractual duration of six years and the option of tacitly renewing the six-year contract in six years, the overall duration of the lease is assumed to be equal to 12 years. In cases in which new elements or specific situations emerge from the analysis of the individual lease contracts, this general indication is superseded.

Leases relating to electronic systems concern 0.4% of the value of the rights of use recognised in the assets of the Statement of financial position.

Leases relating to other types concern 4.1% of the value of the rights of use recognised in the Statement of financial position and refer for 3.4% to long-term rental contracts for cars made available to employees, directors (mixed use) or at the disposal of the Bank's branches and for the remainder to ATMs and TCRs. Almost all car contracts have a four-year or five-year term and do not include the option to purchase the asset. No renewal options are envisaged but the contracts can be extended according to the car fleet management; in the event of early repayment, a penalty is generally included. The payment of the lease instalments is made monthly in advance.

Banca Finnat did not carry out any sale and leaseback transactions in 2021.

As regards sub-lease transactions, it should be noted that the Bank has a single sub-lease transaction in place for a portion of a property of an insignificant amount.

Based on the provisions of the aforementioned Policy, the Banca Finnat Group avails itself of the exemptions provided for by IFRS 16 and, consequently: i) provisions relating to the recognition, initial valuation, subsequent valuation and off-balance sheet exposure of short-term lease contracts with a duration equal to or less than 12 months and lease contracts in which each underlying asset is of modest value, meaning with a value of 5 thousand euros, are not applied; ii) In consideration of the option envisaged by IFRS 16.4, the Bank has not deemed it necessary to apply the standard to any operating leases on intangible assets.

QUANTITATIVE INFORMATION

In Part B - Assets of the Notes to the Financial Statements, the information on the rights of use acquired with the lease are respectively reported:

- Table 8.1 - Property, equipment and investment property used in operations: breakdown of assets at cost.
- Table 8.6 - Property, equipment and investment property used in operations: annual changes and Table IFRS 16 - Property, equipment and investment property used in operation: annual changes.

Part B - Liabilities show: lease payables:

- Table 1.2 - Financial liabilities at amortised cost: breakdown by product of due to customers.
- Table 1.6 Lease payables

Finally, please refer to the specific sections contained in Part C of the Notes to the Financial Statements for the relevant information:

- interest income and expense relating to lease payables (Section 1 Interest - Tables 1.1 and 1.3);
- amortisation of assets consisting of rights of use (Section 14 - Net value adjustments/recoveries on property, equipment and investment property).

Section 2 - Lessor

To date, the Bank has no transactions in place for the sale of leased assets, neither for operational nor financial leases.

Significant non-recurring operations and positions or transactions deriving from atypical and/or unusual operations

Pursuant to the Consob Communication no. DEM/6064293 of 28 July 2006, it should be noted that:

- during 2021, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during 2021, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the year-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of non-controlling interests.

The most significant Group transactions in 2021 are commented on in a special section of the Report on Operations.

ATTACHMENTS TO THE SEPARATE FINANCIAL STATEMENTS

- Changes in Equity Investments

Changes in Equity Investments
(amounts in Euros)

	31.12.2020		Purchases, subscriptions and reclassifications		Sales and liquidations		Profit (loss)	Changes in fair value/ *impairment*	31.12.2021	
	No shares or units	Equivalent value	No shares or units	Equivalent value	No shares or units	Equivalent value			No shares or units	Equivalent value
Subsidiaries										
Finnat Fiduciaria S.p.A.	300,000	6,570,216	-	-	-	-	-	(700,637)	300,000	5,869,579
InvestiRE SGR S.p.A.	7,409	57,700,073	1,328	6,683,498	-	-	-	4,001,721	8,737	68,385,292
Finnat Gestioni S.A.	525	5,515,240	-	-	-	-	-	188,852	525	5,704,092
Natam Management Company S.A.	750	2,496,335	-	-	-	-	-	(302,075)	750	2,194,260
Total subsidiaries (A)		72,281,864		6,683,498		-	-	3,187,861		82,153,223
Companies subject to joint control										
Liphe S.p.A.	750,000	150,000	-	-	-	-	-	-	750,000	150,000
Aldia S.p.A.	1,300,000	390,000	-	-	-	-	-	-	1,300,000	390,000
Total Companies subject to joint control (B)		540,000	-	-	-	-	-	-		540,000
Companies subject to significant influence				-	-	-	-			
Prévira Invest SIM S.p.A. in liquidation	30,000	9,400		-	30,000	33,627	24,227	-	-	-
Imprebanca S.p.A.	10,000,000	6,102,870		-	-	-	-	-	10,000,000	6,102,870
Total Companies subject to significant influence (C)		6,112,270		-		33,627	24,227	-		6,102,870
Total (A)+(B)+(C)		78,934,134		6,683,498		33,627	24,227	3,187,861		88,796,093

Relazione del Collegio sindacale all'Assemblea degli Azionisti di Banca Finnat Euramerica Spa
(ai sensi dell'Art. 153 D.Lgs. 24 febbraio 1998 n. 58)
Esercizio chiuso il 31 dicembre 2021

Signori Azionisti,

il Collegio Sindacale di Banca Finnat Euramerica S.p.A., ai sensi dell'art. 153 del D.Lgs. n. 58 del 1998 è chiamato a riferire all'Assemblea degli Azionisti, convocata per l'approvazione del bilancio, sull'attività di vigilanza svolta nel corso dell'esercizio nell'adempimento dei propri doveri, sulle omissioni e sui fatti censurabili eventualmente rilevati e sui risultati dell'esercizio sociale. Il Collegio è altresì chiamato ad avanzare eventuali proposte in ordine al bilancio e alla sua approvazione.

La presente relazione riferisce sull'attività svolta dal Collegio della Banca nell'esercizio chiuso al 31 dicembre 2021.

Il Collegio in carica alla data della presente Relazione è stato nominato dall'Assemblea degli Azionisti del 30 aprile 2021 ed è composto da Salvatore Ferri (Presidente), Barbara Fasoli Braccini (Sindaco effettivo) e Laura Bellicini (Sindaco effettivo).
La presente relazione è da ricondurre anche alle attività svolte dai membri del precedente Collegio.

Nel corso dell'esercizio chiuso il 31 dicembre 2021, il Collegio ha svolto l'attività di vigilanza prevista dalla legge (e, in particolare, dall'art. 149 del TUF e dall'art. 19 del D.Lgs. n. 39 del 2010), tenuto conto dei principi di comportamento del Collegio Sindacale di società quotate raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, e delle disposizioni Consob in materia di controlli societari.

La revisione legale dei conti spetta, invece, alla società KPMG S.p.A. alla quale, in data 1 agosto 2019, è stata affidata dall'Assemblea degli Azionisti per un novennio detta attività.

Attività di vigilanza sull'osservanza della legge e dello statuto

Il Collegio ha acquisito le informazioni strumentali allo svolgimento dei compiti di vigilanza ad esso attribuiti mediante la partecipazione alle riunioni del Consiglio di Amministrazione e dei Comitati endoconsiliari, alle audizioni del Management della Società e del Gruppo, agli incontri con la Società di Revisione, all'analisi dei flussi informativi acquisiti dalle competenti strutture aziendali e dalle Funzioni di Controllo (in particolare Compliance, Antiriciclaggio, Internal Auditing e Controllo Rischi), nonché ulteriori attività di controllo.

L'attività di vigilanza sopra descritta è stata svolta nel corso di 21 riunioni del Collegio, nonché assistendo a tutte le riunioni del Consiglio di Amministrazione, che sono state tenute in numero complessivo di 21. Inoltre, il Collegio ha partecipato alle 15 riunioni del Comitato Rischi, alle 10 riunioni del Comitato Remunerazioni, alle 12 riunioni del Comitato per le Nomine e alle 5 riunioni del Comitato Parti Correlate, quest'ultimo istituito con delibera del Consiglio di Amministrazione del 14 maggio 2021.

Si fa presente infine che il Collegio ha partecipato alla Assemblea Ordinaria degli Azionisti della Banca tenutasi in data 30 aprile 2021.

Si precisa, inoltre, che nel corso dell'attività di vigilanza svolta e sulla base delle informazioni ottenute dalla Società di Revisione, non sono state rilevate omissioni, fatti censurabili o irregolarità o comunque fatti significativi, tali da richiederne la segnalazione agli organi di controllo.
Inoltre, il Collegio:

- ai sensi dell'art. 150, commi 1 e 3 del TUF:

(i) ha ricevuto dagli Amministratori adeguate informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società e dalle società controllate, assicurandosi che le azioni deliberate e poste in essere fossero conformi alla legge e allo statuto sociale, non fossero in potenziale conflitto di interessi o in contrasto con le delibere assunte dall'Assemblea, non fossero manifestamente imprudenti o azzardate o tali da compromettere l'integrità del patrimonio aziendale.

In particolare, si segnalano – come già fatto dagli Amministratori nella loro Relazione alla quale si rinvia per maggiori approfondimenti – le seguenti operazioni ed eventi di particolare rilevanza nel 2021:

- In data 8 marzo 2021, Covivio 7 S.p.A. (già Beni Stabili Siiq) - azionista di InvestiRE SGR con una quota del 17,89% - ha ceduto l'intera quota di partecipazione (pari a n. 2.643 azioni) a Banca Finnat; contestualmente la Banca ha venduto l'8,9% (pari a n.1.315 azioni) delle azioni acquistate a E.N.P.A.F.- Ente Nazionale di Previdenza e di Assistenza Farmacisti. Tale operazione ha permesso l'ingresso nel capitale di Investire di E.N.P.A.F. che, come storico quotista della SGR, potrà contribuire allo sviluppo strategico di InvestiRE. La Banca, a conclusione dell'operazione, ha incrementato la propria partecipazione in Investire Immobiliare SGR dal 50,16% al 59,15%.
- In data 30 aprile 2021, l'Assemblea degli Azionisti della Banca:
  - ha approvato il Bilancio al 31 dicembre 2020 e, tenuto conto della raccomandazione in materia di distribuzione dei dividendi della Banca d'Italia del 16 dicembre 2021, ha deliberato la distribuzione dei seguenti importi: 1) un primo dividendo lordo pari ad euro 0,00245 per azione è stato messo in pagamento a partire dal 26 maggio 2021; 2) un secondo dividendo lordo pari ad euro 0,01085 per azione, subordinato alla verifica successiva del consiglio di amministrazione (poi effettuata in data 20 ottobre 2021 e messo in pagamento il seguente 27 ottobre 2021);

  - ha nominato, per il triennio 2021-2023, i componenti del Consiglio di Amministrazione e del Collegio Sindacale;
  - ha nominato il dott. Giampietro Nattino quale presidente onorario per il triennio 2021/2023;
  - ha approvato la Politica di Remunerazione redatta ai sensi dell'art. 123-ter del D.Lgs. 58/98.

- In data 5 maggio 2021 il Consiglio di Amministrazione ha nominato quale Presidente il dott. Marco Tofanelli, Vicepresidente il dott. Lupo Rattazzi, Amministratore Delegato il Dott. Arturo Nattino.
- In data 14 giugno 2021, il Consiglio di Amministrazione, con il parere favorevole del Comitato Nomine ed approvazione del Collegio Sindacale, ha deliberato la nomina per cooptazione del cav. lav. dott. Giampietro Nattino quale consigliere esecutivo in sostituzione del dott. Ermanno Boffa dimessosi in data 19 maggio 2021.
- In data 14 luglio 2021 la Banca si è impegnata a sottoscrivere irrevocabilmente quote del fondo immobiliare "BFE Revalue" per un valore complessivo di Euro 2 milioni, da perfezionarsi mediante versamenti in denaro (Euro 200 migliaia versati al 31 dicembre 2021). Tale fondo, gestito dalla controllata InvestiRE SGR S.p.A., si occuperà principalmente della gestione degli immobili posti a garanzia di crediti oggetto di procedura esecutiva con azioni mirate principalmente a partecipare alle aste e stimolare la domanda di mercato, al fine di favorire la liquidazione dei crediti insoddisfatti, sostenendo il valore dei beni che esprimono un potenziale di valorizzazione al di fuori della procedura esecutiva.
- In data 22 settembre 2021, si è riunito il Consiglio di Amministrazione della Banca per la consegna da parte della Banca d'Italia del Rapporto Ispettivo riguardante la verifica ordinaria effettuata dal 6 aprile 2021 al 2 luglio 2021 su tutto il Gruppo Bancario.

Nel periodo intercorso tra la chiusura dell'esercizio 2021 e la data di redazione del bilancio non sono emersi eventi o fatti di rilievo che comportino la rettifica della situazione economica, patrimoniale e finanziaria del Gruppo. In ogni caso si segnala come la Relazione degli Amministratori riferisca in merito al continuo presidio con riguardo alla evoluzione della pandemia ancora in atto, nonché l'impossibilità di fare previsioni con riguardo ai potenziali impatti economici derivanti dalla situazione di grave instabilità a livello internazionale venutasi a creare a seguito della guerra in Ucraina. La Banca ha messo in atto tutti i controlli e i dispositivi necessari al fine di rispettare le misure restrittive adottate dalla UE, monitorando costantemente l'aggiornamento delle misure in questione.

Con riferimento in particolare alla pandemia in corso, si richiama l'attenzione su quanto riportato nella Relazione in merito ai provvedimenti assunti dalla Banca la quale ha ottemperato puntualmente, per quanto di propria competenza, a rispettare ed applicare i diversi provvedimenti che si sono succeduti nel corso dell'anno 2021 e all'inizio del corrente esercizio. La Banca ha rafforzato ulteriormente i presidi sanitari e incrementato il numero dei lavoratori in smart working. Il Comitato per l'emergenza coronavirus della Banca segue nel continuo l'evoluzione della pandemia a livello nazionale al fine di fornire indicazioni ai vertici aziendali per affrontare tutte le casistiche che potrebbero manifestarsi. Nonostante la situazione emergenziale, tutte le società del Gruppo Banca Finnat hanno assicurato e continuano ad assicurare la continuità operativa nei confronti di controparti e mercato garantendo sempre con la massima efficienza il servizio offerto alla clientela sia in filiale che tramite i servizi di banking online.

Infine, si segnala che la Banca non ha provveduto alla redazione della Dichiarazione individuale o consolidata di carattere non finanziario, non ricorrendone i presupposti di legge ai sensi degli artt. 2 e 6 del D.Lgs. n. 254 del 2016.

(ii) ha tenuto riunioni con gli esponenti della Società di Revisione e non sono emersi dati e/o informazioni rilevanti che debbano essere evidenziati nella presente relazione;

- ai sensi dell'art. 151, commi 1 e 2, del TUF:
  a. ha avuto uno scambio di informazioni con i Collegi Sindacali delle società direttamente controllate;
  b. ha recepito le ulteriori informazioni raccolte nel corso della propria attività, quale Organismo di Vigilanza della Banca, attualmente composto dai membri del Collegio, dalla quale non sono risultati anomalie o fatti significativi censurabili.

Sulla base delle informazioni acquisite, il Collegio ha rilevato l'osservanza degli obblighi informativi in materia di informazioni regolamentate, privilegiate ovvero richieste dalle autorità di vigilanza.

Attività di vigilanza sul rispetto dei principi di corretta amministrazione e sull'adeguatezza dell'assetto organizzativo

Il Collegio:

- ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza della struttura organizzativa della Società e sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolta di informazioni dai responsabili delle funzioni aziendali e incontri con la Società di Revisione ai fini del reciproco scambio di dati e informazioni rilevanti e a tale riguardo non ha osservazioni particolari da riferire;
- ha valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle rispettive funzioni, l'esame di documenti aziendali e l'analisi dei risultati del

lavoro svolto dalla Società di Revisione e a tale riguardo non ha osservazioni particolari da riferire.

Sulla base delle informazioni acquisite, il Collegio dà atto che le scelte gestionali sono ispirate al principio di corretta informazione e di ragionevolezza e che gli Amministratori sono consapevoli della rischiosità e degli effetti delle operazioni compiute.

Il Consiglio di Amministrazione vigila sul generale andamento della gestione tenendo in considerazione, in particolare, le informazioni ricevute dall'Amministratore Delegato, dal Direttore Generale, dal Comitato Rischi e, con particolare attenzione alle situazioni di conflitto di interessi, dal Comitato Parti Correlate, nonché confrontando periodicamente i risultati conseguiti con quelli programmati.

Si rileva che nel Consiglio di Amministrazione sono presenti tre amministratori indipendenti il cui numero riteniamo sia adeguato rispetto alla composizione dell'intero Consiglio.

Si rileva inoltre che l'Amministratore Delegato rende periodicamente conto al Consiglio di Amministrazione delle attività svolte nell'esercizio delle deleghe.

Abbiamo preso atto che, in ottemperanza all'art. 123-bis del D.Lgs. 58/1998, la Banca – aderente al Codice di Autodisciplina del Comitato per la Corporate Governance delle Società quotate – ha elaborato la Relazione sul Governo Societario. La Relazione tiene conto della "Relazione annuale 2021 – 9° rapporto sull'applicazione del Codice di Corporate Governance" inviata dal Comitato per la Corporate Governance di Borsa Italiana in data 3 dicembre 2021.

Il Collegio non ha rilevato nel corso dell'esercizio chiuso al 31 dicembre 2021 l'esistenza di operazioni atipiche e/o inusuali con società del Gruppo, con terzi o con parti correlate.

Come precisato dagli Amministratori nelle Relazioni sulla Gestione e nelle Note integrative al bilancio consolidato e al bilancio d'esercizio, le operazioni poste in essere con società del Gruppo o con parti correlate sono regolate a valori normali e correnti condizioni di mercato.

In riferimento a tali operazioni, il Collegio ritiene adeguate le informazioni rese nel progetto di bilancio della Società cui la presente relazione si riferisce.

Il Collegio ha verificato l'esistenza di un corretto flusso di informazioni con le società controllate e/o partecipate, ricevendo conferma circa la sussistenza di disposizioni impartite dalla Società ai sensi dell'art. 114, comma 2 del TUF.

Ed in tale ambito abbiamo proceduto allo scambio di informazioni con i Collegi Sindacali delle società controllate anche mediante riunione collegiale. Nei contatti intercorsi con tali organi di controllo non sono emersi aspetti di particolare rilievo.

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Con specifico riferimento alle attività previste dal Testo Unico sulla Revisione Legale, si segnala quanto segue.

Informativa al Consiglio di Amministrazione sull'esito della revisione legale e sulla relazione aggiuntiva di cui all'art. 11 del Regolamento europeo (Reg. UE 537/2014)

Il Collegio rappresenta che la società di revisione KPMG S.p.A. ha rilasciato in data 30 marzo 2022 la relazione aggiuntiva ex art. 11 del Regolamento europeo, che rappresenta i risultati della revisione legale dei conti effettuata e include la dichiarazione relativa all'indipendenza di cui all'art. 6, paragrafo 2, lettera a), del Regolamento, oltre che le informative richieste dall'art. 11 del medesimo Regolamento, senza individuare carenze significative. Il Collegio Sindacale provvederà ad informare il Consiglio di Amministrazione della Società in merito agli esiti della revisione legale, trasmettendo a tal fine la relazione aggiuntiva, corredata da eventuali osservazioni, ai sensi dell'art. 19 del D.Lgs. 39/2010.

Attività di vigilanza sul processo di informativa finanziaria

Il Collegio ha verificato l'esistenza di norme e procedure a presidio del processo di formazione e diffusione delle informazioni finanziarie.
A tale proposito, la Relazione annuale sul governo societario e gli assetti proprietari definisce le linee guida di riferimento per l'istituzione e la gestione del sistema delle procedure amministrative e contabili. Il Collegio ha esaminato, con l'assistenza del Dirigente Preposto alla redazione dei documenti contabili e societari, Dott. Giulio Bastia, le procedure relative all'attività di formazione del bilancio della Società e del bilancio consolidato, oltre che degli altri documenti contabili periodici.

Si evidenzia che il Dirigente Preposto è stato nominato dal Consiglio di Amministrazione della Società in data 9 febbraio 2017 in quanto giudicato in possesso di un'adeguata esperienza in materia di amministrazione, finanza e controllo e, quindi, di tutti i requisiti di professionalità previsti dalla legge e dallo statuto.
Il Collegio Sindacale ha, inoltre, avuto evidenza del processo che consente al Dirigente Preposto e all'Amministratore a ciò delegato di rilasciare le attestazioni previste dall'art. 154-bis del TUF. nonché dei controlli interni a livello societario previsti dal «Modello del Dirigente Preposto» relativamente ai processi chiave: Credito, Incassi, Pagamenti e Finanza, effettuati nel corso del 2021, con il contributo dei consulenti della società Deloitte & Touche.

Il Collegio Sindacale è stato informato che le procedure amministrative e contabili per la formazione del bilancio e di ogni altra comunicazione finanziaria sono predisposte sotto la responsabilità del Dirigente preposto, il quale, congiuntamente all'Amministratore a ciò delegato, ne attesta l'adeguatezza e l'effettiva applicazione in occasione del bilancio di esercizio, di quello consolidato e della relazione finanziaria semestrale.

Sono state rilasciate da parte dell'Amministratore a ciò delegato e del Dirigente preposto le attestazioni del bilancio consolidato e del bilancio d'esercizio ai sensi dell'art. 81-ter del Regolamento Consob del 14 maggio 1999 e successive modifiche e integrazioni.

Il Collegio Sindacale esprime, pertanto, una valutazione di adeguatezza del processo di formazione dell'informativa finanziaria e ritiene non sussistano rilievi da sottoporre all'Assemblea.

Attività di vigilanza sull'efficacia dei sistemi di controllo interno, di revisione interna e di gestione del rischio e sulla revisione legale dei conti annuali e dei conti consolidati

Il Collegio ha valutato e vigilato sull'adeguatezza del sistema di controllo interno e sull'efficacia dei sistemi di controllo interno e di gestione del rischio.
A tal proposito, si segnala come la Banca d'Italia abbia espresso in merito un giudizio parzialmente favorevole tenuto conto degli sforzi effettuati negli anni dalla Banca e dei positivi equilibri tecnici raggiunti. La Banca ha preso atto della richiesta di potenziamento della governance di gruppo e dei controlli interni attuando nell'immediato i cantieri per finalizzare gli interventi richiesti.

Inoltre, il Consiglio di Amministrazione ha individuato al proprio interno un amministratore – l'Amministratore delegato - esecutivo incaricato di sovrintendere alla funzionalità del sistema di controllo interno.

In particolare, il Collegio, nell'ambito degli incontri periodici avuti con Responsabile dell'Internal Audit è stato compiutamente informato in merito agli interventi di Internal Audit finalizzati a verificare l'adeguatezza e l'operatività del sistema di controllo interno e il rispetto della normativa interna ed esterna, nonché sull'attività di gestione del rischio.

In data 21 marzo 2022, il Responsabile dell'Internal Audit ha rilasciato la propria relazione per l'esercizio 2021 ove viene rappresentato che il sistema di controllo interno e di gestione dei rischi adottato dalla banca conferma, nel complesso, un livello adeguato ed efficace.

A seguito dell'attribuzione al Collegio Sindacale anche delle funzioni spettanti all'Organismo di Vigilanza di cui all'articolo 6, comma 4 bis del D.Lgs. 231/2001 sulla responsabilità amministrativa degli enti, il Collegio ha preso visione e ottenuto informazioni sull'attività di carattere organizzativo e procedurale posta in essere dalla Banca ai sensi del citato Decreto. Nella Relazione del 14 marzo 2022, sulle attività svolte nel corso dell'esercizio 2021, in qualità di Organismo di Vigilanza non sono stati segnalati profili di criticità degni di menzione, evidenziando una situazione nel complesso soddisfacente e di sostanziale allineamento a quanto previsto dal Modello di Organizzazione, Gestione e Controllo in fase di aggiornamento.

Attività di vigilanza sulla revisione legale del bilancio d'esercizio e del bilancio consolidato

Il Collegio ha vigilato sulla revisione legale del bilancio d'esercizio e del bilancio consolidato e a tal proposito evidenzia quanto segue:

- la contabilità è stata sottoposta ai controlli previsti dalla normativa da parte della Società di Revisione KPMG S.p.A., alla quale è stato conferito l'incarico di revisore legale dei conti per gli esercizi 2020/2028. Nel corso degli incontri periodici avuti con il Collegio, la Società di Revisione non ha evidenziato rilievi a riguardo;
- il Collegio Sindacale: (i) ha analizzato l'attività svolta dalla società di revisione e, in particolare, l'impianto metodologico, l'approccio di revisione utilizzato per le diverse aree significative di bilancio e la pianificazione del lavoro di revisione; (ii) ha condiviso con la società di revisione le problematiche relative ai rischi aziendali, potendo così apprezzare l'adeguatezza della risposta pianificata dal revisore in termini di approccio di revisione con i profili, strutturali e di rischio, della Società e del Gruppo;
- nel corso dell'anno il Collegio Sindacale ha periodicamente incontrato, come riportato in precedenza, il Dirigente preposto alla redazione dei documenti contabili e societari.

La Società di Revisione legale ci ha informato che, nel corso della sua attività di riscontro e di verifica dei dati per il bilancio e nel corso delle verifiche trimestrali, non è venuta a conoscenza di atti o fatti ritenuti censurabili o degni di segnalazione. Essa ha rilasciato in data 30 marzo 2022 la relazione sulla revisione del bilancio d'esercizio e la relazione sulla revisione del bilancio consolidato. Sul punto, si rappresenta che:

- entrambe le relazioni contengono: (i) il giudizio di rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Banca Finnat Euramerica S.p.A. e del Gruppo al 31 dicembre 2021, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 38/05 e dell'art. 43 del D.Lgs. 18 agosto 2015, n. 136; (ii) la descrizione degli aspetti chiave della revisione e le procedure di revisione in risposta agli aspetti chiave; (iii) il giudizio di coerenza della relazione sulla gestione con il bilancio d'esercizio e consolidato al 31 dicembre 2021 e sulla conformità della stessa alle norme di legge; (iv) il giudizio di coerenza di alcune specifiche informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 58/1998 con il bilancio d'esercizio e consolidato al 31 dicembre 2021; (v) la conferma che il giudizio sul bilancio d'esercizio e il giudizio sul bilancio consolidato espresso nelle rispettive relazioni sono in linea con quanto indicato nella relazione aggiuntiva destinata allo scrivente Collegio Sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del Regolamento europeo;
- le citate relazioni non contengono rilievi né richiami di informativa.

Indipendenza della Società di Revisione

Il Collegio Sindacale ha vigilato, anche con riferimento a quanto previsto dall'art. 19 del D.Lgs. 39/2010, sull'indipendenza della società di revisione KPMG S.p.A., verificando la natura e l'entità dei servizi diversi dal controllo contabile prestati alla Banca e alle sue controllate da parte della stessa società di revisione e delle entità appartenenti al network della medesima.

Nella Nota Integrativa del bilancio d'esercizio e in quella Consolidata del Gruppo Banca Finnat Euramerica, alla quale si rinvia, è stata data completa informativa sui compensi corrisposti dalla Banca e dalle sue controllate alla società di revisione KPMG S.p.A., inclusa la sua rete, ai sensi dell'articolo 149 duodecies del Regolamento Emittenti.

I compensi corrisposti nel 2021 (senza considerare IVA, il contributo di vigilanza e le spese vive), sono:

- Revisione contabile € 149 mila;
- Altri servizi € 49 mila

La revisione contabile riguarda la revisione dei bilanci d'esercizio, i controlli contabili del Gruppo nonché il bilancio consolidato e la relazione semestrale consolidata della Capogruppo.

Nella categoria "Altri servizi" (diversi dalla revisione contabile e dai servizi di attestazione) resi da KPMG S.p.A., gli stessi si riferiscono (non comprensivi dell'IVA e dei rimborsi spese):

- per € 4 mila alla Finnat Gestioni e sono relativi alla Revisione LRD (legge svizzera sul riciclaggio del denaro);
- per € 15 mila al rilascio di una due diligence su un cliente della banca.

Tale voce accoglie anche l'importo di € 30 mila riguardante il rilascio della relazione annuale, riferita all'anno 2020, inerente i presidi adottati dalla Banca in merito al deposito e subdeposito di beni dei clienti nell'ambito della prestazione di servizi e attività di investimento, relazione che, come stabilito dal provvedimento di Banca d'Italia del 5.12.2019, deve essere rilasciata dal soggetto incaricato della revisione dei conti.

Di conseguenza, la reale 'incidenza degli "Altri servizi" rispetto alla "Revisione contabile" e ai "Servizi di attestazione (connessi alla revisione contabile)" è pertanto pari al 2,68%.

Alla luce di quanto esposto, il Collegio ritiene quindi sussistente il requisito di indipendenza della società di revisione KPMG S.p.A., che ha fornito, con lettera allegata alla Relazione aggiuntiva ex art. 11 del regolamento europeo, conferma annuale della propria indipendenza ai sensi dell'art. 6 paragrafo 2) lett. a) del Regolamento Europeo 537/2014 e ai sensi del paragrafo 17 dell'ISA Italia 260.

Attività di vigilanza sui rapporti con società controllate e controllanti e sulle operazioni con parti correlate

Come già anticipato, il Collegio ha verificato le operazioni con parti correlate e/o infragruppo di natura ordinaria o ricorrente, in merito alle quali riferisce quanto segue.

Le operazioni infragruppo, di natura sia commerciale sia finanziaria, riguardanti le società controllate e la società controllante, sono regolate su basi equivalenti a quelle prevalenti in transazioni tra parti indipendenti.

Esse sono descritte, nella parte H della Nota Integrativa Consolidata del Gruppo Banca Finnat Euramerica ove vengono riportati i saldi economici e patrimoniali derivanti dai rapporti, di natura commerciale e finanziaria, con parti correlate.

Si precisa che le transazioni con parti correlate non includono operazioni atipiche o inusuali, ossia estranee alla normale gestione d'impresa.

Omissioni o fatti censurabili, altri pareri resi, azioni intraprese

Il Collegio dà atto che:

- nel corso dell'esercizio ha rilasciato i seguenti pareri:
    - ai sensi dell'art. 2389, 3° comma del Codice Civile;
    - espresso voto favorevole, ai sensi art. 136 D.Lgs n. 385/1993 e successive modifiche, su operazioni creditizie;
    - verificato la corretta applicazione dei criteri e delle procedure di accertamento adottate dal Consiglio di Amministrazione per valutare i requisiti di onorabilità, professionalità ed indipendenza dei suoi membri;
    - accertato i requisiti di indipendenza dei componenti il Collegio;
    - seguito il processo di formazione e approvazione del resoconto ICAAP e ILAAP.

- non sono state presentate denunce di cui all'art. 2408 cod. civ., così come non sono stati presentati esposti di alcun genere;
- non è stato necessario presentare all'Assemblea le proposte così come previsto dall'art. 153, comma 2 del D.lgs. 58/98, né il Collegio si è avvalso dei poteri di convocazione dell'Assemblea o del Consiglio di Amministrazione.

Bilancio d'esercizio, bilancio consolidato e relazione sulla gestione

Con specifico riguardo all'esame del bilancio d'esercizio chiuso al 31 dicembre 2021, del bilancio consolidato (redatti in base ai principi contabili internazionali IAS/IFRS emessi dall'International Accounting Standards Board (IASB) adottati dall'Unione Europea, nonché conformemente ai provvedimenti emanati in attuazione dell'art. 9, comma 3 del D.Lgs. n. 38 del 2005 e dell'art. 43 del D.Lgs. n. 136 del 2015) e della Relazione sulla gestione, il Collegio riferisce quanto segue:

- il fascicolo di bilancio è stato consegnato al Collegio in data 21 marzo 2022 e quindi in tempo utile affinché sia depositato presso la sede della Società corredato dalla presente relazione. In ogni caso il Collegio esprime la presente Relazione in tempo utile al rispetto dei termini previsti per la pubblicazione prevista dal comma 1 dell'art. 154ter del D.lgs. 58/98;
- ha verificato che il bilancio della Società e il bilancio consolidato risultano redatti secondo la struttura e gli schemi imposti dalle norme vigenti e sono accompagnati dai documenti previsti dal Codice civile e dal TUF;
- ha verificato la razionalità dei procedimenti valutativi applicati e la loro rispondenza alle logiche dei principi contabili internazionali;
- ha verificato la rispondenza del bilancio ai fatti e alle informazioni di cui si è avuta conoscenza a seguito dell'espletamento dei doveri che gli competono; non si hanno, quindi, osservazioni al riguardo;
- per quanto a conoscenza del Collegio, gli Amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma 4, cod. civ.;

- ha verificato l'osservanza delle norme di legge inerenti la predisposizione della relazione sulla gestione e, a tale, riguardo non si hanno osservazioni da riferire.

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Tenuto conto di tutto quanto precede, sotto i profili di nostra competenza, non rileviamo motivi ostativi circa l'approvazione del bilancio al 31 dicembre 2021 e delle proposte di delibera formulate dal Consiglio di Amministrazione.

Roma, 30 marzo 2022

Per il Collegio Sindacale
Salvatore Ferri

KPMG S.p.A.
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

To the shareholders of
Banca Finnat Euramerica S.p.A.

Report on the audit of the separate financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Measurement of equity investments

Notes to the separate financial statements "Part A – Accounting policies": section 4 – Other matters "Risks and uncertainties and impacts of Covid-19", paragraph A.2.5 "Equity investments", paragraph A.4 "Fair value"

Notes to the separate financial statements "Part B - Notes to the statement of financial position - Assets": section 7 Equity investments

Notes to the separate financial statements "Part D – Comprehensive income"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2021 include investments in subsidiaries measured at fair value through other comprehensive income of €82 million and valuation reserves relating to these equity investments of €57 million. The pre-tax fair value gain on these equity investments recognised in other comprehensive income for the year totals €6.5 million. Since they do not have a quoted price on an active market, the directors have classified these equity investments at level 3 of the fair value hierarchy. Measuring equity investments requires a high level of judgement in relation to the complexity of the models and parameters used. The complexity of the above procedure due to the Covid-19 emergency which has severely affected economic conditions and potential future macroeconomic scenarios. For the above reasons, we believe that the measurement of equity investments is a key audit matter.	Our audit procedures included: — understanding the processes adopted by the bank to measure equity investments; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the measurement of equity investments, also in the light of the financial effects of the Covid-19 pandemic; — analysing the reasonableness of the measurement methods and significant inputs and how the directors applied them; we carried out these procedures with the assistance of experts of the KPMG network; — checking the sensitivity analysis through the changes to the main assumptions used by the directors, including the cost of capital and the long-term growth rate; we carried out these procedures with the assistance of experts of the KPMG network; — assessing the appropriateness of the disclosures about equity investments, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

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

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

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

On 1 August 2019, the bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

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

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

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The bank's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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

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

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

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

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

Rome, 30 March 2022

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

ATTESTAZIONE DEL BILANCIO D'ESERCIZIO AI SENSI DELL'ART. 81-TER DEL REGOLAMENTO CONSOB N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE E INTEGRAZIONI

1. I sottoscritti Arturo Nattino in qualità di Amministratore Delegato e Giulio Bastia in qualità di Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del Bilancio di esercizio al 31 dicembre 2021.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:
   3.1. il Bilancio d'esercizio:
      a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
      b. corrisponde alle risultanze dei libri e delle scritture contabili;
      c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.

   3.2 La Relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Roma, 21 marzo 2022

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

BANCA FINNAT EURAMERICA SPA

www.bancafinnat.it

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE 2021[1]

(Prepared pursuant to Article 123-*bis* of the Consolidated Financial Law)

Approved by the Board of Directors on 21 March 2022

Traditional Administration and Control Model

[1] The Report is published on the Bank's website at www.bancafinnat.it, in the *Investor Relations - Corporate Governance* section

Contents

GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria.

Civil Code/CC: the Italian Civil Code.

Board: the Bank's Board of Directors.

Issuer: Banca Finnat S.p.A.

Financial year: the financial year 2021 to which the Report refers.

Consob Issuers' Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.

Consob Markets' Regulation: the Regulation issued by Consob with resolution no. 20249 of 2017 (as subsequently amended) regarding markets.

Consob Related Party Regulations: the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) on related party transactions.

Report: Corporate Governance Report drawn up in accordance with art. 123 of the Italian Consolidated Financial Law.

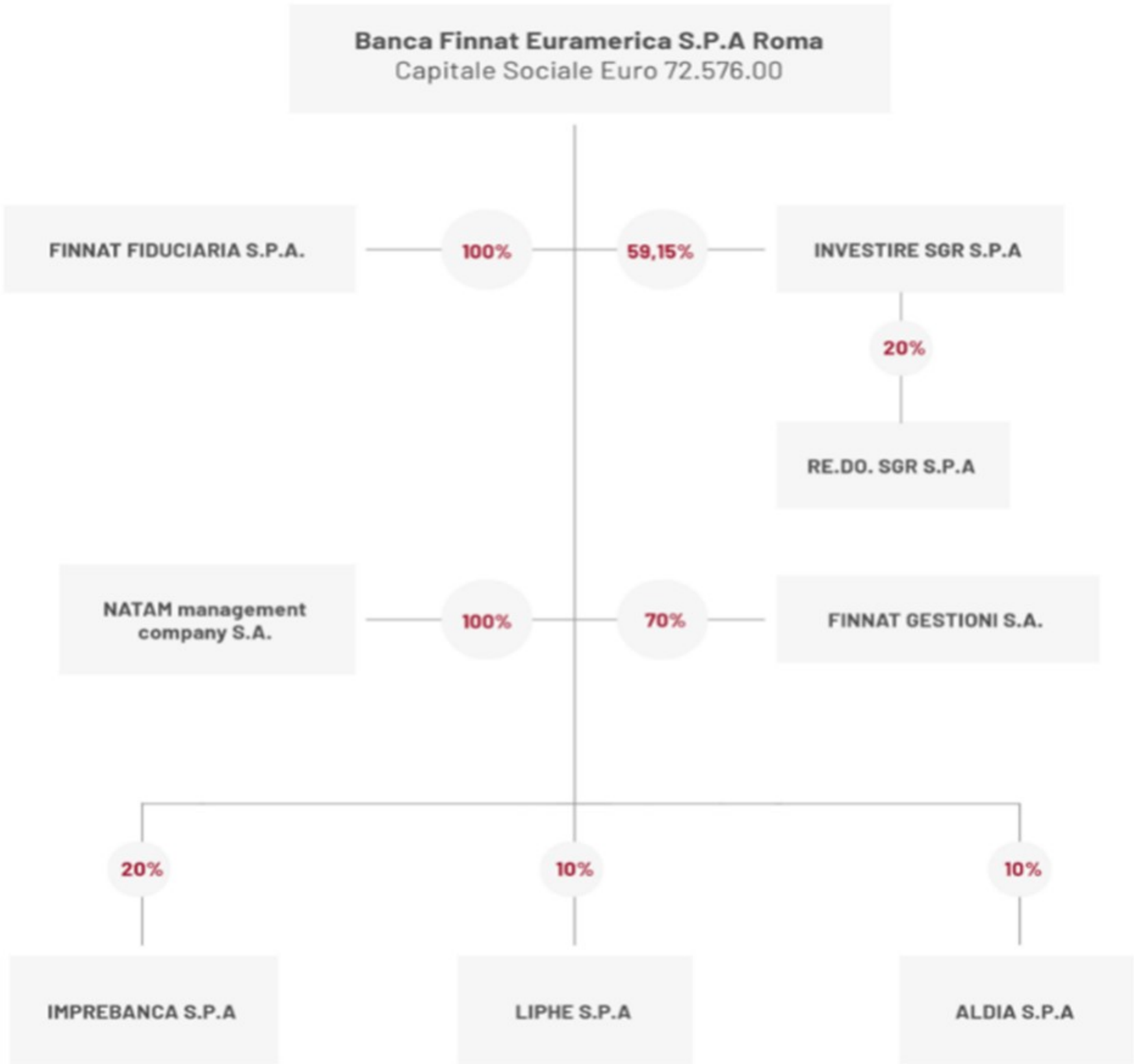
TUF: Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance).

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

This Report provides a representation of the corporate governance system adopted by Banca Finnat Euramerica S.p.A. (hereinafter “Banca Finnat” or the “Bank”) and contains information on the ownership structure and compliance with the Codes of Conduct.
The Report is made available on the Bank's website in the *Investor relations - Corporate Governance* section.
The information contained in the Report refers to the year ended 31 December 2021 and, in relation to specific issues, was updated as of 21 March 2022, the date on which the Bank's Board of Directors approved it.
The Report takes into account the "2021 Annual Report - 9th report on the application of the Corporate Governance Code" sent to all the Chairmen of Italian listed companies and for information to the Managing Director and the Chairman of the Board of Statutory Auditors, by the Corporate Governance Committee of the Italian Stock Exchange.

1.0 ISSUER'S PROFILE

With over a century of banking tradition behind it, combined with independence, reliability and confidentiality, Banca Finnat specialises in providing investment and advisory services to private and institutional clients.
The high specialisation and professionalism set it apart in the Italian banking scene: directly and with other Group companies it offers a wide range of financial services and products ranging from Private Banking to Consulting, from Fiduciary Activities to Family Office, from Real Estate and management of Real Estate Funds to Advisory & Corporate Finance and services for Institutional Investors.
To supplement the investment services, which play a central role in the Bank's activities, traditional banking services are also provided.
The Bank has adopted a traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors (with 10 Directors), the central body in the corporate governance system, exclusively in charge of managing and providing strategic supervision of the Bank and the Group and the Board of Statutory Auditors with oversight functions over the administration and compliance with the law and with the Articles of Association.
The Board of Directors, also in accordance with the recommendations of the Corporate Governance Code (hereinafter, “the Code”), established four internal Committees, namely: Risk Committee, Appointments Committee, Remuneration Committee and Related Party Committee; the first three consisting of a majority of Independent Directors and the latter exclusively by Independent Directors.
The independent audit of the accounts is assigned to a specialised company (KPMG S.p.A.) registered in the specific Register, appointed by the Shareholders' Meeting for the 2020/2028 nine-year period, on the motivated proposal of the Board of Statutory Auditors.
The Supervisory Body under Italian Legislative Decree no. 231/2001 is appointed by the Board of Directors.
Banca Finnat is the group leader of the Banca Finnat S.p.A. Group which at 31 December 2021 is constituted as follows.



Compared to 31 December 2020, the structure of the Group has changed following the transaction carried out by the Bank which increased its equity investment in InvestiRE SGR S.p.A. and the voluntary liquidation of PREVIRA INVEST S.p.A. (in liquidation). In addition to the aforementioned equity investments, from July 2021, the Bank also fully consolidates the BFE Revalue Fund, a wholly owned structured entity.

The business model of the Banca Finnat Group is based on the concept of social responsibility, on the relationship of trust built over time with all stakeholders and on the ability to generate shared value, with growing attention to environmental, social and governance aspects (ESG factors).
This commitment is reflected not only in the daily work of all the professionals who are part of the Group but also in the many activities at the service of customers: the importance of pursuing sustainable growth and development opportunities that can have a positive impact on the Bank, the Group and the community is widespread and shared within the Group.
At the date of this report and having regard to the size and complexity of the Bank, the same is not required to draft a non-financial statement.

Based on the capitalisation and turnover data held by Consob, pursuant to Article 2-*ter* of Consob Regulation no. 11971/1999, as amended by Consob Resolution no. 20621 of 10 October 2018, Banca Finnat was classified as a Small Medium Enterprise (SME) and is included in the list published on the Consob website (http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi).

Having regard to the definitions indicated in the Corporate Governance Code of "large company" and "company with concentrated ownership", Banca Finnat does not fall within the criterion of "large company" as it did not have a capitalisation exceeding 1 billion euro in the last open market day of each of the three previous calendar years, and neither does it fall within the criterion of "companies with concentrated ownership" as there are no shareholders' agreements in place.

2.0 INFORMATION ON THE OWNERSHIP STRUCTURE at 31 December 2020

a) Structure of the share capital

The share capital of Banca Finnat at 31 December 2021 is equal to 72,576,000.00 euros fully paid up, consisting of 362,880,000 ordinary shares, all with a par value of 0.20 euros. Banca Finnat shares are listed on the STAR segment of the Italian Stock Exchange.
At the date of this Report, there are no plans for the purchase and/or sale of treasury shares in progress. At 31 December 2021 Banca Finnat held 28,810,640 treasury shares equal to 7.94% of the share capital.

b) Restriction on the transfer of securities

In addition to the provisions of current legislation, there are no other restrictions on the transfer of the Bank's shares.

c) Significant equity investments

The Bank's shares are entered into the centralised management system in a dematerialised regime at Monte Titoli S.p.A. Significant shareholdings at 31 December 2021, according to the information received on the basis of communications pursuant to art. 120 of the Consolidated Financial Law, are indicated in Table 1.

d) Securities that confer special rights

No securities have been issued which confer special control rights.

e) Employee share ownership: mechanism for exercising voting rights

There are no employee share ownership mechanisms.

f) Restriction of voting rights

There are no restrictions on voting rights.

g) Shareholders' agreements

The Directors are not aware of the existence of significant shareholders' agreements pursuant to art. 122 of the Consolidated Financial Law.

h) Change of control clauses and statutory provisions on takeover bids

No significant agreements have been entered into which take effect, are modified, or terminate in the event of a change in control of the Bank.
The Articles of Association of Banca Finnat do not provide for exceptions to the provisions on the passivity rule established by art. 104, paragraphs 1 and 2, of the Consolidated Financial Law, nor the application of the neutralisation rules contemplated by art. 104-bis, paragraphs 2 and 3, of the Consolidated Financial Law.

i) Powers to increase share capital and authorisations for the purchase of treasury shares

There are no proxies for capital increases, nor are Directors authorised to issue equity financial instruments.
With provision no. 1039475/11 of 19 December 2011, the Bank of Italy issued the authorisation to the Bank for the purchase of treasury shares in excess of 5% of the share capital, up to a maximum limit of 10 million euros (see letter a).

l) Management and coordination activities

The Bank is not subject to management and coordination activities pursuant to art. 2497 et seq. of the Italian Civil Code.
Information required by art. 123 bis, paragraph 1 letter i) and letter l) of the Consolidated Financial Law are illustrated respectively in paragraph 4.0 (Board of Directors - appointment and replacement) and paragraph 8.0 (Remuneration of Directors) of this Report.

3.0 COMPLIANCE (pursuant to art. 123-bis, paragraph 2, letter a), first part, Consolidated Financial Law)

Banca Finnat adheres to the Corporate Governance Code for listed companies of the Italian Stock Exchange in the version of January 2020 currently in force.
The Code is accessible on the website of the Corporate Governance Committee and on that of the Bank[2], in the *Investor Relations/Corporate Governance* section.[3]
An updated verification of compliance with the Code was carried out on occasion of the examination by the Board of Directors of the 2021 Annual Report - 9th report on the application of the Code.
The corporate governance structure of Banca Finnat and its subsidiaries is not influenced by non-Italian legal provisions.
The Bank and its subsidiaries with strategic importance are not subject to non-Italian legal provisions that influence the Bank's corporate governance structure.
Subsidiaries subject to non-Italian legal provisions are not of strategic importance.

[2] htpp://www.bancafinnat.it
[3] http://www.borsaitaliana.it

4.0 BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Board of Directors approves the Group's Business Plan at least every three years and the Group's Budget annually, both of which are guided by the pursuit of profitability objectives that are sustainable over time by providing for the maintenance of significantly higher levels of capitalisation, liquidity and financial stability than required by the Supervisory Authority. Periodically during the year, the Board checks the results achieved and deviations from the objectives.

Banca Finnat has adopted a traditional corporate governance model, with a Board of Statutory Auditors operating alongside the Board of Directors. This is a model that over time has shown its effectiveness and consistency with the specific characteristics of the Bank, also thanks to progressive refinements dictated by the development of the business model and strategies, also functional to the maintenance of an effective control system. In this sense, in the last decade, new internal and internal committees have been gradually activated, which have supported the Board of Directors and Top Management in the governance and management of the Company.

With regard to the forms in which the Board promotes dialogue with shareholders and other relevant stakeholders, please refer to paragraph 12.

The following responsibilities pertain to the Bank's Board of Directors:

i. periodic monitoring of the implementation of the business plan, as well as the assessment of the general business trend, periodically comparing the results achieved with those planned;
ii. the definition of the nature and level of risk compatible with the strategic objectives of the Bank, including in its assessments all the elements that may be relevant in view of the Issuer's sustainable success;
iii. the definition of the Bank's corporate governance system and the structure of the group it heads;
iv. the assessment of the adequacy of the organisational, administrative and accounting structure of the Bank and of the subsidiaries of strategic importance, with particular reference to the internal control and risk management system;
v. resolving on the operations of the Bank and its subsidiaries with significant strategic, economic, equity or financial relevance for the Bank itself, establishing the general criteria for identifying transactions of significant importance;
vi. the adoption, at the proposal of the Chairman, in agreement with the Managing Director, of a procedure for the internal management and external disclosure of documents and information concerning the Issuer, with particular reference to inside information.

In particular, in relation to the aforementioned areas, during the reference year the Board has:

i) assessed on the basis of the information acquired from the delegated bodies (Managing Director, General Manager, Joint General Manager, Financial Reporting Manager) and from the Control Functions, the adequacy of the organisational, administrative and accounting structure, with particular reference to the internal control and risk management system; it has continuously verified the corporate structure and consequently the efficiency of the internal control system;
ii) examined the organisational, administrative and accounting structure of subsidiaries;

iii) examined and approved the quarterly, half-yearly, annual and consolidated statement of financial position and income statements of the Bank as well as periodically monitoring their implementation;
iv) assessed and approved in advance the Bank's transactions and, in compliance with the provisions of the Group Regulations, also approved the transactions of significant strategic, economic, equity and financial importance of its subsidiaries.

During the 2021 financial year, the Board:

i. did not deem it necessary and/or appropriate to elaborate motivated proposals to be submitted to the Shareholders' Meeting for the definition of a corporate governance system more functional to the needs of the company (please refer to Section 13 for details);
ii. did not deem it necessary to change the policy for managing the dialogue with all shareholders (please refer to Section 12 on this point).

As regards the powers of the Board with respect to: its composition, functioning, appointment and self-assessment; remuneration policy; internal control and risk management system, please refer to the relevant sections illustrated below in this Report.

4.2 APPOINTMENT AND REPLACEMENT

The Board of Directors is appointed on the basis of lists presented by the shareholders.
The Bank's Articles of Association define the methods, times and requirements for the presentation of the lists.
The rules applicable in the event of the appointment and replacement of directors are the legislative and regulatory rules applicable to Banks.

The statutory provisions governing the functioning of list voting provide for the following:

1. Only those shareholders who, alone or together with other shareholders, represent as a whole at least the percentage of the share capital established by the pro tempore regulatory provisions in force and indicated in the notice of call of the Shareholders' Meeting, will have the right to submit lists. Currently identified at 2.5% of the share capital with voting rights at the Company's ordinary Shareholders' Meeting.
2. Pursuant to article 13 of the Articles of Association, the entire Board of Directors is appointed on the basis of lists submitted by the Shareholders in which the candidates nominated are numbered progressively.
   The lists must be submitted to the Company no later than twenty-five days prior to the date of the Shareholders' Meeting on first or single call and made available to the public in accordance with the applicable regulations no later than twenty-one days prior to the date of the Shareholders' Meeting on first or single call.
   Each shareholder and likewise all the persons participating in a shareholders' agreement pursuant to Art. 122 of Italian Legislative Decree no. 58 of 24 February 1998, their respective parent companies, their respective subsidiaries, and those subject to common control pursuant to Art. 93 of Italian Legislative Decree no. 58 of 24 February 1998 may not submit or participate in the submission, even by means of a third party or trust company of more than one list, nor vote, even by a third party or trust company, for different lists and each candidate nominated can only appear on one list subject to ineligibility.
   Nominations made and votes cast in infringement of such ban will not be attributed to any list. Only those shareholders who, alone or together with other shareholders, represent as a whole at least the percentage of the share capital established by the pro tempore regulatory provisions in force and indicated in the notice of call of the Shareholders' Meeting, will have the right to submit lists.

To demonstrate ownership of the number of shares required to submit a list, at the time of submission the Shareholders must have delivered to the Company specific notification of an authorised intermediary as required by law, within the period provided for by the applicable legal provisions. Together with each list, by the deadline established for submission to the Registered office, the Company must submit (i) information regarding the identity of the shareholders who have submitted the lists, indicating the percentage of overall participation achieved, (ii) the declarations in which the individual nominees accept their nomination and attest, under their own responsibility, that there are no causes of ineligibility or incompatibility and that they meet the requirements of professionalism and honour and, if required, independence established by applicable law (iii) a résumé containing exhaustive information on the personal and professional characteristics of each candidate, as well as (iv) any other information required by applicable laws and regulations.

Any lists containing a number of candidates equal to or greater than three shall submit a number of candidates belonging to the least represented gender so as to ensure balance between genders at least in accordance with the lowest figure admissible required by the provisions, including regulatory one, in force at the time. Any lists submitted which disregard the provisions of this article shall be considered as not submitted.

Each list must contain at least one quarter of the members (if this ratio is not a whole number, it shall be approximated to the lower whole number if the first decimal place is less than or equal to 5; otherwise it shall be approximated to the higher whole number) with the requisites of independence established pursuant to Art. 148, § 3, Italian Legislative Decree no. 58/1998 and Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020 (hereinafter also "Italian Ministerial Decree no. 169/2020" or "Fit&Proper" Decree).

In the event of a several lists that have received votes for the election of the members of the Board of Directors, the procedure is as follows: a) the Directors to be elected but 1 (one) are selected from the list that has obtained the highest number of votes, in the progressive order in which they are listed in the list itself, and b) the remaining Director is elected from the minority list which is not connected in any way, not even indirectly, with those who submitting or voting for the list referred to in letter a) above and which obtained the highest the number of votes.

Moreover, should the election of the candidates taken from the lists in the manners described above not result in a composition of the Board of Directors compliant with the pro tempore laws in force concerning gender balance, or the minimum number of directors provided for by these Articles of Association and By-Laws who meet the independence requirements have not been elected, replacements shall be made from the lists from which the candidates are drawn.

The order of replacement will be as follows: the candidate elected last in progressive order from the list with the highest number of votes will first be replaced by the first candidate not elected from the same list in progressive order. This replacement procedure shall take place until the composition of the Board of Directors complies with the pro tempore regulations in force concerning the balance between genders and the minimum number of independent directors provided for by these Articles of Association and By-Laws. Finally, should the procedure not provide the result indicated, the replacement will take place by the relative majority of the Shareholders’ Meeting, subject to the submission of candidates belonging to the least represented gender and/or meeting the independence requirements. Each share shall confer a vote. Should only one list be submitted or if no list at all is presented, the Shareholders’ Meeting shall resolve with the relative majority without observing the above procedures, without prejudice to compliance with the pro tempore regulations governing gender balance and the presence of a number of independent directors at least equal to the minimum number envisaged by the applicable regulations.

3. The Bank's Articles of Association do not provide for the possibility for the outgoing Board of Directors to submit a list.

4. The Articles of Association do not provide that lists that have not obtained a percentage of votes equal to at least half of that required are not taken into account that for the purposes of the allocation of the Directors to be elected.
5. The composition of the Board of Directors must comply with the pro tempore regulations in force regarding gender balance pursuant to art. 12 of the Articles of Association.
   As established by Art. 13 of the Articles of Association, any lists containing a number of candidates equal to or greater than three shall submit a number of candidates belonging to the least represented gender so as to ensure balance between genders at least in accordance with the lowest figure admissible required by the provisions, including regulatory one, in force at the time. Any lists submitted which disregard the provisions of this article shall be considered as not submitted.
6. In the event of a several lists that have received votes for the election of the members of the Board of Directors, the procedure is as follows: a) the Directors to be elected but 1 (one) are selected from the list that has obtained the highest number of votes, in the progressive order in which they are listed in the list itself, and b) the remaining Director is elected from the minority list which is not connected in any way, not even indirectly, with those who submitting or voting for the list referred to in letter a) above and which obtained the highest the number of votes.
7. At least one fourth of the members shall possess the independence requisites established for the auditors pursuant to Art. 148, § 3, Italian Legislative Decree no. 58 of 24 February 1998 and established by the Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020. If this ratio is not a whole number, it is approximated to the lower integer if the first decimal place is 5 or less; otherwise it is approximated to the upper integer. Moreover, should the election of the candidates taken from the lists in the manners described above not result in a composition of the Board of Directors compliant with the pro tempore laws in force concerning gender balance, or the minimum number of directors provided for by the Articles of Association who meet the independence requirements have not been elected, replacements shall be made from the lists from which the candidates are drawn as indicated by Art. 13 of the Articles of Association.

In addition to the provisions of the Consolidated Law on Finance, the Bank is subject to the Provisions issued by the Bank of Italy and in particular to the provisions of Art. 26 of the Consolidated Banking Law and of Italian Ministerial Decree no. 169/2020.
With regard to the role of the Board of Directors and the internal Board Committees in the self-assessment, appointment and succession procedures of directors, please refer to Section 7.

4.3 COMPOSITION (pursuant to art. 123 - bis, paragraph 2 d) and d-bis), Consolidated Financial Law)

The current Board of Directors was appointed by the Shareholders' Meeting of 30 April 2021 and will remain in office until the approval of the financial statements at 31 December 2023.
All Directors were drawn from the single list presented by the relative majority shareholder Mr. Arturo Nattino.
In particular, the Board currently in office is made up of 10 members, all with professionalism and skills appropriate to their role, as per checks carried out by the Board of Directors on 25 May and 14 June 2021 with regard to:

- 2 Non-Independent Executive Directors
- 3 Independent Non-Executive Directors
- 5 Non-executive Non-Independent Directors.

The number and skills of each non-executive Director are such as to ensure them a significant weight in the adoption of board resolutions and to guarantee effective management monitoring.

The composition of the Board of Directors at 31 December 2021 was as follows:

1. Marco Tofanelli, Chairman (non-independent, non-executive); length of office from first appointment: 8 years[4].
   - *as regards the requirements of professionalism and the criteria of competence, he complies with the requirements of Art. 7, and meets the criteria set out in Art. 10 of Italian Ministerial Decree no. 169/2021.* He has gained an overall experience of at least a decade in the last 13 years, necessary to hold the position of Chairman of the Board of Directors, in particular, through the exercise, among other things, of the activities of:
     - (i) "*administration or control or managerial duties in the credit, financial, securities or insurance sector*" at:
       - (a) InvestiRE SGR S.p.A. ("InvestiRE", a subsidiary of the Bank), as a non-executive director (and independent until 2021), from May 2010 to date;
       - (b) the Bank, as non-executive and independent director, from December 2011 to November 2015 and from March 2017 to April 2021; also, as non-executive director, from April 2021 to date;
       - (c) Armònia SGR S.p.A., as independent director, from November 2014 to date;
     - (ii) "*Professional activities in matters pertaining to the credit, financial, securities, insurance sectors or, in any case, sectors functional to the Bank's business*" at ASSORETI (Association of Investment Consulting Companies), as Secretary General from December 1995 to date;
   - *with regard to the competence requirements*, furthermore, in relation to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience in the following areas:
     - *(i)* financial markets;
     - *(ii)* regulation in the banking and financial sector;
     - *(iii)* guidelines and strategic planning;
     - *(iv)* organisational and corporate governance structures;
     - *(v)* risk management (identification, assessment, monitoring, control and mitigation of the Bank's main types of risk, including responsibilities as representative in these processes);
     - *(vi)* internal control system and other operational mechanisms;
     - *(vii)* banking and financial activities and products;
     - *(viii)* accounting and financial information;
     - (ix) coordination, guidance or management of human resources such as to ensure effective performance of the functions of coordination and guidance of the work of the Board of Directors, to promote its adequate functioning, also in terms of circulation of information, effectiveness of the comparison and stimulation of internal dialogue, as well as an adequate overall composition of the body;

2. Arturo Nattino, Managing Director and General Manager (non-independent, executive); length of office from first appointment: 12 years.
   - *as regards the requirements of professionalism and competence requirements*, he complies with the requirements of Art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least a decade in the last 13 years, necessary to hold the position of

[4] Not consecutive. Appointed as Director for the first time on 15 December 2011 until his resignation on 20 November 2015. Subsequently appointed on 27 April 2017.

Managing Director and General Manager, in particular, through the exercise of "*administration or control or managerial duties in the credit, financial, securities or insurance sector*" at:

(i) the Bank, as Managing Director and General Manager from 14 May 2009 to date;

(ii) InvestiRE, as Chairman of the Board of Directors from 9 May 2017 to date;

(iii) Finnat Fiduciaria S.p.A., as non-executive Director, from 29 April 1998 to date;

(iv) Finnat Gestioni SA, as Chairman of the Board of Directors, from 10 April 2017 to date;

(v) REDO SGR S.p.A. - Benefit Company ("REDO"), as non-executive Director, from 13 December 2018 to date;

- *with regard to the competence requirements*, furthermore, in compliance to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience, at a "*high*" of "*medium-high*" level, in the following areas:
  - *(i)* financial markets;
  - *(ii)* regulation in the banking and financial sector;
  - *(iii)* guidelines and strategic planning;
  - *(iv)* organisational and corporate governance structures;
  - *(v)* risk management (identification, assessment, monitoring, control and mitigation of the main types of risk of the Bank, including the responsibilities of the representative in these processes);
  - *(vi)* internal control systems and other operational mechanisms;
  - *(vii)* banking and financial activities and products;
  - *(viii)* accounting and financial information;
  - *(ix)* IT technology;

3. Giampietro Nattino, Honorary Chairman and Director (non-independent, executive); length of office from first appointment: 10 months. Appointed by the Board of Directors by co-option on 14 June 2021 and in office until the next Shareholders' Meeting.

as regards the requirements of professionalism and the criteria of competence, he complies with the requirements of Art. 7, and meets the criteria set out in Art. 10 of Italian Ministerial Decree no. 169/2021. He has gained at least three years of the experience required to hold the office of executive director of the Company, in particular, through the exercise, among other things, of activities:

(i) "administration or control or managerial duties in the credit, financial, securities or insurance sector" at the Bank, as Chairman of the Board of Directors from 14 May 2009 to 10 March 2017;

(ii) "administration or control or managerial duties in the credit, financial, securities or insurance sector" at A.D.FID. S.r.l., as a non-executive director (and independent until 2021), from 20 February 2002 to date;

- with regard to the competence requirements, furthermore, in relation to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience in the following areas:

(i) financial markets;

(ii) regulation in the banking and financial sector;

(iii) guidelines and strategic planning;

(iv) organisational and corporate governance structures;

(v) risk management (identification, assessment, monitoring, control and mitigation of the main types of risk of the Bank, including the responsibilities of the representative in these processes);

(vi) internal control system and other operational mechanisms;

(vii) banking and financial activities and products;

(viii) accounting and financial information;

4. Roberto Cusmai, Director (non independent, non executive); length of office from first appointment: 9 years.
   - *as regards the requirements of professionalism and competence,* he complies with the requirements of art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least three years, necessary to hold the office of non-executive Director, in particular, through the exercise of "*administration or control activities or managerial duties in the credit, financial, securities or insurance sector*" as Director of Banca Finnat Euramerica SpA from 26 April 2012 to date; Member of the Group of Experts of the European Community for financial education from 2004 to 2007; Sole Director of Consorzio Agenzia Generale di Roma Ina-Assitalia (Generali Group) from 2002 to 2004; Deputy General Manager, head of the Resources and Organisation Area of the InaAssitalia Istitutito Nazionale delle Assicurazioni Group from 1997 to 2001; Deputy General Manager at Banca Fideuram S.p.A. with specific tasks in the restructuring of the Group, in the management and development of human resources and in the superintendence of industrial relations. In the same period he was a Director of some IMI Group companies (Sige Fiduciaria, Fideuram Vita, Fideuram Assicurazioni) and Chairman of others (Santali S.p.A., Studi Finanziari S.p.A., Fideuram Fiduciaria S.p.A., Agass S.p.A.) from 1992 to 1997; at Fideuram S.p.A. - IMI Group he held the position of Human Resources Director and, subsequently, Deputy Director from 1982 to 1996; at BANCA D'ITALIA he gained various experiences, achieving management positions, in different branches and General Management sectors (tax studies). He was responsible for the Sadiba staff training school and, subsequently, responsible for the "Strategic planning, training and use of personnel" Department. Lastly, he was head of the "General Affairs" Department and inspector in credit companies from 1968 to 1986.

- *with regard to the competence requirements*, furthermore, in relation to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience in the following areas:
  - *(i)* financial markets;
  - *(ii)* guidelines and strategic planning;
  - *(iv)* organisational and corporate governance structures;
  - *(v)* risk management (identification, assessment, monitoring, control and mitigation of the Bank's main types of risk, including responsibilities as representative in these processes);
  - *(vi)* banking and financial activities and products;

5. Giulia Nattino, Director (non-independent, non-executive); length of office from first appointment: 8 years.
   - *as regards the requirements of professionalism and competence,* she complies with the requirements of Art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least three years in the last six years, necessary to hold the office of Director, in particular, through the exercise of the activities of:
     - *(i)* "*administration or control or managerial duties in the credit, financial, securities or insurance sector*" at the Bank, as a member of the board of directors, from 2013 to date;
     - *(ii)* "*professional activities in matters pertaining to the credit, financial, securities, insurance sectors or, in any case, sectors functional to the Bank's business*" at the Bank, as a private banker from 2001 to 2010;
   - *with regard to the competence requirements*, furthermore, in compliance to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience in the following areas:
     - *(i)* financial markets;
     - *(ii)* guidelines and strategic planning;

(iii) banking and financial activities and products;

6. Maria Sole Nattino, Director (non-independent, non-executive); length of office from first appointment: 6 years.
   - *as regards the requirements of professionalism and competence,* it complies with the requirements of Art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least three years in the last six years, necessary to hold the office of non-executive Director of the Bank, in particular, through the exercise of the activities of:
     - *(i)* "*administration or control or managerial duties in the credit, financial, securities or insurance sector*" at:
       - *(a)* Finnat Fiduciaria S.p.A., as Board member, from 2012 to 2021;
       - *(b)* the Bank, as Board member, from 2015 to date;
     - *(ii)* "*professional activities in matters relating to the credit, financial, securities, insurance sector or, in any case, functional to the Bank's business*" at the Bank, as an employee since 2003 and with the qualification of managerial staff at the Legal and Corporate Department of the Bank from 2010 to date;
   - *with regard to the competence requirements*, furthermore, in compliance to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience in the following areas:
     - *(i)* regulation in the banking and financial sector;
     - *(ii)* organisational and corporate governance structures;
     - *(iii)* banking and financial activities and products;

7. Lupo Rattazzi, Vice President (non-independent, non-executive); length of office from first appointment: 13 years.
   - *as regards the requirements of professionalism and the criteria of competence*, it complies with the requirements of Art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least three years in the last six years, necessary to hold the office of non-executive Director and Deputy Chairman of the Board of Directors, through the exercise, among other things, of the activities of:
     - *(i)* "*administration or control or managerial duties in the credit, financial, securities or insurance sector*" at the Bank, as non-executive director, from 28 October 2008 to date;
     - *(ii)* "*administration or control or managerial duties at listed companies or companies having a greater or similar size and complexity (in terms of turnover, nature and complexity of the organisation or the activity carried out)*" at Vianini S.p.A. (company listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.), as a member of the Board of Directors, from 21 April 2017 to date;
   - *with regard to the competence requirements*, furthermore, in compliance to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience, at a "*high*" of "*medium-high*" level, in the following areas:
     - *(i)* financial markets;
     - *(ii)* regulation in the banking and financial sector;
     - *(iii)* guidelines and strategic planning;
     - *(iv)* organisational and corporate governance structures;
     - *(v)* risk management (identification, assessment, monitoring, control and mitigation of the main types of risk of the Bank, including the responsibilities of the representative in these processes);

(vi) internal control systems and other operational mechanisms;
(vii) banking and financial activities and products;
(viii) accounting and financial information;
(ix) IT technology;

8. Maria Teresa Bianchi (independent, non-executive); length of office from first appointment: 11 months.
   - *as regards the requirements of professionalism and competence*, it complies with the requirements of Art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least three years in the last six years, necessary to hold the office of non-executive Director, in particular, through the exercise of, among others, the activities of:
     (i) "*administration or control or managerial duties in the credit, financial, securities or insurance sector*" at:
       (a) REV Gestione Crediti S.p.A., as chairman of the board of directors, from June 2016 to date;
       (b) Nuova Cassa di Risparmio di Chieti, as a member of the board of statutory auditors, from November 2015 to February 2016;
     (ii) "*university teaching activity, as a first or second level lecturer in legal or economic subjects or in other subjects in any case functional to the activity of the credit, financial, securities or insurance sector*" as Associate Professor of business economics at the Sapienza University of Rome from 1996 to date;
   - *with regard to the competence requirements*, moreover, in accordance with Italian Ministerial Decree no. 169/2021, he is in possession of theoretical knowledge and practical experience, in the context of:
     (i) financial markets;
     (ii) regulation in the banking and financial sector;
     (iii) guidelines and strategic planning;
     (iv) organisational and corporate governance structures;
     (v) risk management (identification, assessment, monitoring, control and mitigation of the main types of risk of the Bank, including the responsibilities of the representative in these processes);
     (vi) internal control systems and other operational mechanisms;
     (vii) banking and financial activities and products;
     (viii) accounting and financial information;
     (ix) IT technology;

9. Paola Pierri (independent, non-executive); length of office from first appointment: 11 months.
   - *as regards the requirements of professionalism*, she complies with the requirements of Art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least three years, necessary to cover the position of non-executive Director, in particular, through the exercise of "*administration or control or managerial duties in the credit, financial, securities or insurance sector*" at:
     (i) UniCredit Banca Mobiliare S.p.A., as general manager, from March 2002 to April 2006;
     (ii) UniCredit Banca Mobiliare S.p.A., as deputy general manager, from September 2000 to March 2002;
   - *with regard to the competence requirements*, furthermore, in compliance to Italian Ministerial Decree no. 169/2021, he has theoretical knowledge and practical experience, at a "*high*" of "*medium-high*" level, in the following areas:

(i) financial markets;
(ii) regulation in the banking and financial sector;
(iii) guidelines and strategic planning;
(iv) organisational and corporate governance structures;
(v) risk management (identification, assessment, monitoring, control and mitigation of the main types of risk of the Bank, including the responsibilities of the representative in these processes);
(vi) internal control system and other operational mechanisms;
(vii) banking and financial activities and products;
(viii) accounting and financial information;
(ix) IT technology;

10. Vincenzo Marini Marini (independent, non-executive); length of office from first appointment: 11 months.
   - *as regards the requirements of professionalism and competence*, she complies with the requirements of Art. 7, and meets the criteria of Art. 10 of Italian Ministerial Decree no. 169/2021, having gained an overall experience of at least three years, necessary to cover the position of non-executive Director, in particular, through the exercise of *"administration or control or managerial duties in the credit, financial, securities or insurance sector"* at:
     (a) CDP Investimenti SGR S.p.A., as chairman of the board of statutory auditors from April 2012 to April 2015;
     (b) Creditis Servizi Finanziari S.p.A. as chairman of the board of statutory auditors from March 2019 to date;
     (c) Private Equity International SA, as a director from March 2019 to date;
   - *with regard to the competence requirements*, moreover, in accordance with Italian Ministerial Decree no. 169/2021, he is in possession of theoretical knowledge and practical experience, in the context of:
     (i) regulation in the banking and financial sector;
     (ii) guidelines and strategic planning;
     (iii) organisational and corporate governance structures;
     (iv) internal control systems and other operational mechanisms;
     (v) banking and financial activities and products;
     (vi) accounting and financial information;

The curriculum vitae with the personal and professional characteristics of the Directors is available on the Bank's website www.bancafinnat.it in the section *"Who We Are - Corporate Officers"*.

Diversity policies

Article 13 of the Bank's Articles of Association provides that the appointment of the Board of Directors takes place through the presentation of lists formulated in such a way as to ensure equal access and the presence of the least represented gender among the relative members.

In particular, the 2020 Budget Law provided for a different quota reserved to the least represented gender equal of "at least two fifths" and established that this distribution criterion is applied for "six consecutive terms".

The current composition of the Board and the Board of Statutory Auditors as appointed by the Shareholders' Meeting of 30 April 2021 complies with these provisions.

Maximum number of offices held in other companies

The Board of Directors approved the Guidelines on the optimal quantitative composition of the Board, which indicate the limits to the maximum number of offices held in other companies pursuant to Art. 17 of Italian Ministerial Decree no. 169/2020. The current composition of the Board of Directors complies with the limits indicated therein.

4.4 OPERATION OF THE BOARD OF DIRECTORS

On 16 December 2021 the Board of Directors of the Bank approved the update of a Regulation, in order to govern its composition and operation, in compliance, among other things, with the Supervisory Provisions on the corporate governance of banks and of the Corporate Governance Code; on the other hand, the mission and tasks of the body are detailed in the "Organisational functional chart".

The Regulation is divided into three parts.

The first part, of a more technical nature, which sets out the recipients of the Regulation, the purposes and scope of its application, as well as the definitions used in the same.

On the other hand, the second part focuses on the composition of the Board of Directors, and in particular on the appointment of Directors, then detailing the general principles that govern the appointment process and the definition of this process, both when the Directors are appointed by the Shareholders' Meeting and when the Board directly do so through co-optation.

In compliance with the Corporate Governance Provisions and CONSOB Regulation no. 17221/2010, the Regulation provides for the Board to establish within itself - with preliminary, proposing, consultative and monitoring functions - the following Committees (for details, please refer to section 6):

a) Remuneration Committee;
b) Risk Committee;
c) Appointment Committee;
d) Related Parties Committee.

In order to ensure efficient coordination between the activities of the Committees and those of the Board, the Regulation sets out: (i) a deadline, normally of no less than two days before the date set for the Board meeting, to set the meeting of the Committees; and (ii) that the Chairmen of the Committees promptly inform the Chairman of the Board of the outcome of the meetings held, as well as of any issues that may have arisen that may require further investigation by the Board, by means of a summary note, which will then be promptly made available to Directors and Statutory Auditors, by publication on a specific consultation and archiving platform.

The second part of the Regulations, relating to the composition, then concludes with the enunciation of the discipline of some events connected with the office of Director, such as training, any reasons for suspension and forfeiture of office, events that have occurred and renewals, as well as typical obligations of the mandate, such as the prohibition of competition and of interlocking, as well as the obligation of confidentiality to which the Directors are required.

Finally, the third part of the Regulation concerns the actual functioning of the body.

With specific reference to pre-meeting information, the Regulations provide for the Chairman to ensure that the Directors are sent the documentation supporting the resolutions of the Board or, at least, an initial information on the matters to be discussed in advance. For the purpose of providing correct information, the documentation relating to the items on the agenda is made available at the time of convocation and in any case well in advance of the date of the board meeting, usually by the fifth day prior to the date set for the meeting, except in cases of urgency, when the documentation is made available as soon as possible upon notice by e-mail.

The supporting documentation is made available on the consultation and archiving platform, which guarantees the necessary confidentiality, and each Director or Auditor receives personal credentials for access to the platform from the competent Bank structures.

The Directors and Statutory Auditors are notified in advance by email of the publication of the documents on the platform and of subsequent updates.
The supporting documentation distributed to Directors and Statutory Auditors is kept in the records of the Board by the Secretary of the Board.
This last part also regulates how the minutes of the meetings are held.
A special report is drawn up for each meeting of the Board, signed by the chairman and the secretary of the meeting (or by the Notary, in the cases provided for by current legislation). These minutes, which must be appropriate for allowing a reconstruction of the progress of the debate and the various positions expressed and which must illustrate in detail the decision making process, also taking into account the reasons behind the decisions, are brought to the attention of the Directors and of the Board of Statutory Auditors in good time before the next Board meeting, and remain available for consultation on request by each of the Directors or Statutory Auditors.
The minutes are submitted for the approval of the Board of Directors at the first useful meeting.
During 2021, 21 meetings of the Board of Directors were held with an average duration of approximately 1.40 hours.
For the year 2022, the Board of Directors approved the calendar of the main corporate events and made it available on the bank's website in the Agenda and Documents section at the following address https://www.bancafinnat.it/it/documentazione/19/Agenda-e-Documenti-Sito-Istituzionale and disclosed to the market.
In the first months of 2022, three meetings have already been held and the Board has scheduled another four meetings.

TIME AVAILABILITY

Pursuant to the provisions of Article 16 of Italian Ministerial Decree no. 169/2020, each Director of the Bank is required to dedicate adequate time to the performance of their office and to promptly notify the Board of Directors - in the event of supervening events - of offices held in other Companies, businesses, organisations, other work and professional activities carried out and other situations or facts pertaining to the professional sphere capable of affecting their time availability.
In this regard, on 31 March 2021, the Board of Directors approved an addendum to the Report on the qualitative and quantitative composition of the Board of Directors (published on the Bank's website on the same date), which provides for the recommendations of the Appointment Committee on the availability of time necessary for the performance of the office of Director and member of internal board Committees at the Bank for candidates for the office.
At the time of appointment, each representative undertakes - by means of a substitutive declaration of a notary deed - to dedicate the time necessary for the performance of the office.
In the meetings of 25 May 2021 and 14 June 2021, the Board of Directors verified the requirements of each company representative, including the availability of time to devote to the office held.

4.5 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

By virtue of current legislation and the Regulation of the Board of Directors approved by the Board of 16 December 2021, the Chairman has the task of organising the work of the Board and of liaising between executive and non-executive Directors, promoting the proper functioning of the body, guaranteeing the effectiveness of the board debate, ensuring the balance of powers and neutrally promoting the considered participation of Directors, in particular, non-executive Directors, soliciting their active participation in the discussion and resolution on the matters being discussed.
In addition, as required by the Board Regulations, each internal Board Committee is required to provide a summary note on the activity carried out which is made available to the first useful Board meeting following the meeting of the Committee.
The Chairman endeavours to ensure that the resolutions reached by the Board are the result of an adequate discussion and the conscious and reasoned contribution of all its members.

The Chairman invites the assistant General Manager and, depending on the items on the agenda, the heads of the control functions and strategic executives, including from the subsidiaries, to the Board meetings.
During the year, the Chairman invited the directors and statutory auditors to the following induction and training sessions:

- on 2 February 2021, a course was held on the Bank's business plan, subsequently repeated for the new board on 12 November 2021;
- on 4 December 2021, a refresher course was held on anti-money laundering.

These sessions were held remotely in compliance with company's provisions due to the Covid-19 emergency. For the year 2022, meetings are scheduled to take place on the issues of Sustainability, Group Governance and in particular on the activities of the subsidiary Investire SGR SPA, the Business Plan and the Prudential Control Process.

In the exercise of his functions, the Chairman ensures, with the support of the Appointment Committee, that the Self-Assessment is carried out effectively and that the manner in which it is conducted is consistent, transparent and adequate with respect to the degree of complexity of the Board's work, as well as taking the necessary corrective measures to deal with any shortcomings identified.
In particular, during 2021, the Chairman oversaw the self-assessment process taking into account the expiry of the Board's three-year mandate on the approval of the financial statements at 31 December 2020.
During 2022, the Chairman has updated the Regulations for the self-assessment process (meeting of 25 January 2022) and with regard to this point, please refer to section 7 of this Report.

SECRETARY OF THE BOARD

In accordance with the Articles of Association, on the proposal of the Chairman, the Board of Directors appoints - and, if necessary, revokes - its own Secretary, who can also be chosen from outside the members of the Board itself, provided that they are employed by the Bank.
According to the provisions of the Regulations of the Board of Directors, the Secretary is entrusted with the task of (i) supporting the Chairman in his activities, (ii) drawing up the minutes of the meetings, and (iii) archiving the documentation in the records of the Board of Directors.
The Secretary undertakes to keep the information and documentation acquired as a result of the assignment strictly reserved and confidential.
To carry out the above activities, the Secretary has the right to access information and consult the company's departments necessary for the performance of their duties. To this end, the corporate functions collaborate, each for their own competence, and transmit the documentation referred to in the items on the agenda to the Secretary through the Legal and Corporate Department of the Bank.
The Secretary must have a level of professionalism adequate to the operational and dimensional complexity of the Bank.

4.6 EXECUTIVE DIRECTORS

MANAGING DIRECTOR

The Bank has assigned all management powers to the Managing Director and General Manager, Mr. Arturo Nattino, who is the main manager of the Bank (*Chief Executive Officer*).
Without prejudice to the powers of the Board of Directors in accordance with the law and the Articles of Association, the Managing Director is granted all the powers necessary for the administration of the Bank, with the widest powers in

this regard. Within the scope of the delegated powers, the Managing Director is responsible for representing the Bank and signature on behalf of the company.

Chairman of the Board of Directors

The Chairman has not been assigned management powers and is not an executive Director.
The Chairman is not the Bank's controlling shareholder.
The Chairman represents the Company before third parties and in legal proceedings and is the Company's authorised signatory.

Disclosure to the Board

The Managing Director reports to the Board of Directors every six months on the activities carried out within the scope of his powers.
During the meetings of the Board, the Chairman of the Board of Directors promptly informs the Directors about the updates of the first and second level regulations linked to the activities carried out by the Bank and the Group.

Other executive Directors

In addition to the Managing Director (as Executive Director), the Board of Directors of 14 June 2021 appointed, by co-optation, in place of Mr. Boffa, as executive director of the Bank, Mr. Giampietro Nattino, former Honorary Chairman of the Bank, as appointed by the Shareholders' Meeting on 30 April 2021.
Mr. Giampietro Nattino was delegated:

- to develop, for the entire duration of the mandate which will expire at the Shareholders' Meeting approving the financial statements at 31 December 2021, in implementation of the strategic guidelines of the business plan and in agreement with the Managing Director to the extent of his competence, relations with third parties aimed at increasing the Group's activities, also facilitating its operations, in the manner deemed appropriate, according to specific and contingent needs that may arise in business and institutional relations; as well as,
- to participate in the Management and Coordination Committee of the Bank.

Mr. Giampietro Nattino reports to the Board of Directors in accordance with his powers, reporting at least annually or on the occurrence of significant events.

4.6 INDEPENDENT DIRECTORS

The Board of Directors, appointed by the Shareholders' Meeting of 30 April 2021 and in office until the approval of the 2023 financial statements, was formed in compliance with the criteria indicated in the Code and the regulations issued by the Bank of Italy, Consob, and Italian Ministerial Decree no. 169/2020, and is composed of 10 Directors, of which 3 are independent as per the press release to the market.
Circular 285 (Part One, Title IV, Chapter 1, Section IV, paragraph 2.2 letter c)) states that at least a quarter of the members of the Board of Directors must meet the requisites of independence and also of professionalism and authority such as to ensure a high level of internal discussion within the body they are part of and to make a significant contribution to the determination of the will of the same. The Corporate Governance Code (Recommendation no. 5) provides that the Board of Directors must include at least two independent Directors other than the Chairman.
Having said that, the current composition of the Board, which includes 3 independent non-executive directors, complies with the provisions of current legislation.

The independent Directors of the Bank are: Maria Teresa Bianchi, Vincenzo Marini Marini and Paola Pierri.
As regards the competences of each independent Director, reference is made to point 4.3 of this Report.

The Chairman of the Board of Directors, Mr. Marco Tofanelli, appointed by the shareholders' meeting of 30 April 2021, does not qualify as independent pursuant to the Fit & Proper Decree.

The Board made its assessments on the basis of the necessary or useful information made available by each Director, also assessing the circumstances deemed relevant for the purposes of the independence requirement.
At the beginning of its mandate, the Board identified the quantitative criteria for assessing the significance of the relevant circumstances pursuant to the Code for the purposes of assessing the independence of directors (see letter i below).
In any case, the Directors meeting the independence requisites envisaged by Art. 13 of the Fit & Proper Decree, by Art. 148, paragraph 3, of the Consolidated Financial Law, and/or by the Corporate Governance Code, unless otherwise provided by law.

A Director may not be considered independent:
i) pursuant to the Corporate Governance Code, in the following cases, to be considered as non-mandatory:
a) if they are a significant shareholder of the Bank;
b) if they are, or has been in the previous three financial years, an executive director or an employee: - of the Bank, of one of its subsidiaries with strategic importance or of a company subject to common control;
- of a significant shareholder of the Bank;
c) if, directly or indirectly, they have or have had in the three previous years, a significant commercial, financial or professional relationship, for example, through subsidiaries or as executive director of the same, or as a partner of a professional firm or a consulting firm:

- with the Bank, with one of its subsidiaries, or with the related executive Directors;
- with a person who, also jointly with others through a shareholders' agreement, controls the Bank, or with the related executive Directors, in the case of a company or body;
- is, or has been in the previous three financial years, an employee of one of the aforementioned subjects.

A commercial relationship, which took place in the previous financial year, will be considered "significant" on the basis of two parameters:

i. Continuity: over six months in duration, and
ii. Declaration attesting that the 15% threshold has possibly been exceeded:
   a) of the turnover or production value of the company or professional firm to which the Director belongs, or
   b) of the income of the Directors himselves as natural persons.

   In the case of the Director who is also a partner in a professional firm or consulting firm, the Board of Directors evaluates the significance of the professional relationships that may have an effect on their position and role within the consultancy company or firm or which, in any case, pertain to important transactions of the Bank and the Group, even independently of the quantitative parameters indicated above;

d) if he receives, or have received in the previous three years, from the Bank or from a subsidiary or parent company, a significant additional remuneration (compared to the "fixed" remuneration of the non-executive Director of the Bank and any remuneration for participation in Committees). The additional remuneration will be considered significant on the basis of exceeding the maximum threshold of 20% of the income of the Directors themselves as individuals, excluding from the Director's income the remuneration received in their capacity as a member of the administrative bodies of the parent company and/or of subsidiaries;
e) if he has been a Director of the Bank for more than nine financial years, even if not consecutive, in the last 12 financial years;
f) if he holds the office of executive Director in another company in which an executive Director of the Bank holds the office of Director;

g) if he is a shareholder or Director of a company or entity belonging to the network of the company appointed to carry out the Bank's independent audit;
h) if he is a close family member of a person who is in one of the situations referred to in the previous points.
ii) pursuant to Art. 13 of the Fit & Proper Decree, in the following cases:
a) he is a spouse who is not legally separated, a person linked in a civil union or de facto cohabitation, a relative or similar to the fourth degree: 1) of the Bank's Chairman of the Board and of the Directors with executive positions; 2) of the Bank's Managers of the Main Corporate Functions; 3) of persons who are in the conditions referred to in letters b) to i);
b) he is a Participant in the Bank;
c) he holds or have held in the last two years with a Participant in the Bank or a company controlled by it, offices as chairman of the board of directors, management or supervisory board or representative with executive offices, or has held, for more than nine years in the last 12, positions as member of the board of directors, as well as management positions with a Participant in the Bank or companies controlled by it;
d) in the last two years, he has held the position of Director with executive positions in the Bank;
e) he holds the position of independent director in another bank of the same banking group, except in the case of banks with direct or indirect, totalitarian control relationships;
f) he helds, for more than nine years in the last 12, positions as a member of the Board, as well as management at the Bank;
g) he is a Director with executive positions in a company in which a Director with executive positions of the Bank holds the office of director or management director;
h) he has, directly, indirectly, or have had in the two years prior to taking up the office, self-employed or subordinate employment relationships or other relationships of a financial, patrimonial or professional nature, even if not continuous, with the Bank or with the relative Directors with executive positions or its Chairman, with the companies controlled by the Bank or the related Directors with executive positions or their chairmen, or with a Participant in the bank or the related Directors with executive positions or its chairman, such as to compromise their independence;
i) he holds or have held in the last two years one or more of the following offices:

1) member of the national and European parliament, of the Government or of the European Commission;
2) regional, provincial or municipal councillor, regional council chairman, province chairman, mayor, chairman or member of the district council, chairman or member of the board of directors of local authorities consortia, chairman or member of the councils or municipalities union councils, director or chairman of special companies or institutions referred to in Article 114 of Italian Legislative Decree no. 267/00, mayor or councillor of metropolitan cities, chairman or member of the administrative bodies of mountain or island communities, when the overlap or contiguity between the territorial reference area of the entity in which the aforementioned offices are held and the territorial organisation of the Bank or banking group to which it belongs are such as to compromise their independence;

iii) pursuant to Art. 148, paragraph 3, of the Consolidated Financial Law:
a) the spouse, relatives and kins to the fourth degree of the Directors of the Bank, the Directors, the spouse, relatives and kin to the fourth degree of the Directors of subsidiaries, of the companies that control it and of those subject to common control;
b) those who are linked to the Bank or to its subsidiaries or to the companies that control it or to those subject to common control or to the Directors of the company and to the subjects referred to in letter a) by independent or subordinate employment relationships or by other relationships of a financial or professional nature that compromise their independence.

For offices held in non-corporate entities, the provisions referred to in the preceding paragraphs apply to persons who perform functions in the entity equivalent to those indicated in the same paragraphs.

In any case, should circumstances arise during the financial year that could compromise the independence of a Director, the latter undertakes to notify the Board of Directors without delay, providing all the elements necessary or useful for the evaluation by the same Board of Directors.

The Board of Directors and the Board of Statutory Auditors, with their respective meetings held on 25 May 2021, examined the documentation received from each independent Director and ascertained that Maria Teresa Bianchi, Vincenzo Marini Marini and Paola Pierri meet the requisites referred to in Art. 13 of Italian Ministerial Decree no. 169/2020, pursuant to Art. 147-*ter*, paragraph 4, as referred to in Art. 148, paragraph 3, of the Consolidated Financial Law, and pursuant to Art. 2, to recommendation 7 of the Corporate Governance Code.
As required by Recommendation 5 of the Code, the independent Directors met in the absence of the other Directors on 9 March 2022.
The meeting was chaired by Prof. Bianchi and concerned Compliance activities

4.7 LEAD INDEPENDENT DIRECTOR

Up to 30 April 2021, even if the conditions had not been met, the role of Lead Independent Director was assigned to Mr. Marco Tofanelli.
The Board of Directors currently in office did not consider introducing the role of Lead Independent Director, as the Chairman of the Board of Directors (a) is not the Chief Executive Officer of the Issuer nor is he the holder of significant management powers; (b) he is not the person who controls, even jointly, the Issuer. Furthermore, the Issuer does not qualify as a "Large company" (Recommendation 13).
The main person responsible for the management of the Issuer as well as the main shareholder is, in fact, the Managing Director.

5.0 MANAGEMENT OF CORPORATE INFORMATION

The Bank has an internal procedure for the management of disclosure to the public of significant events and circumstances, with the aim of complying with the disclosure requirements pursuant to Art. 114 of Italian Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Financial Law"). Disclosure obligations are fulfilled, on behalf of the Bank's Managing Director and upon his indication, by the Investor Relator.
Communications are made immediately available to the public in accordance with the law.
The Investor Relator publishes the press releases on the Bank's website both in Italian and in English by the opening time of the market on the day following that of its dissemination.
Press releases remain available on the website for at least five years from the date of publication.
https://www.bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale.
In compliance with the provisions of Art. 115 bis of Italian Legislative Decree no. 58/98 and Regulation (EU) no. 596/2014, the Bank has established the “Register of Persons who have access to inside information” (Insider Register).
The Legal Department is responsible for maintaining the " Insider Register".
The Bank has also adopted a specific "Internal Dealing Code", binding for all Directors and Statutory Auditors, aimed at regulating the disclosures to be made to the market in the event company representatives trade Bank shares https: // www. Bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale.

6.0 INTERNAL BOARD COMMITTEES

The Board of 30 April 2021 established the Appointments Committee, the Remuneration Committee, the Risk Committee, mostly composed of independent non-executive Directors.
In determining the composition of the aforementioned Committees, the Board considered and avoided the concentration of offices held by each member.
The Board determined the composition of the Committees by considering the competence and experience of the relative members.
The functions of the Committees have been assigned in accordance with the provisions of Bank of Italy Circular no. 285/2013 and the Code.
The functions assigned to the Committees are not reserved to the Board.
Each Committee approved its own Regulations which govern the appointment, duration, functioning, flows to the Committee, flows to Corporate Bodies, meetings and minutes.
It should also be noted that the Regulations of the Board of Directors (see section 4.4) also govern, among other things, the establishment and functioning of the internal Board Committees.
In particular, said Regulation provides for:

- the Committees to meet on the basis of a calendar approved by the Board of Directors within the first 30 days of each calendar year - usually at least two days before the meeting of the Board of Directors - and whenever deemed appropriate by the respective Chairman.
- In order to ensure efficient coordination between the activities of the Committees and those of the Board, the Chairmen of the Committees - by means of a short note - promptly inform the Chairman of the Board of the outcome of the meetings held, as well as of any issues arising that may require further investigation by the Board.

  This summary note is made available at the time of convocation and in any case well in advance of the date of the board meeting, usually by the fifth day prior to the date set for the meeting, except in cases of urgency, when the documentation is made available as soon as possible upon notice by e-mail.

  The Board supporting documentation is made available on the consultation and archiving platform, which guarantees the necessary confidentiality, and each Director or Auditor receives personal credentials for access to the platform from the competent Bank structures. The Directors and Statutory Auditors are notified in advance by email of the publication of the documents on the platform and of subsequent updates.

Additional committees

Within the Board of Directors, the Related Parties Committee was established, made up exclusively of independent non-executive Directors in compliance with Consob Regulation no. 17221. The duties and functions of the Related Parties Committee are indicated in a specific regulation.

7.0 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

7.1 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS

In view of the expiry of its mandate with the approval of the financial Statements at 31 December 2021, on 25 January 2021 the Bank's Board of Directors analysed the results of the self-assessment relating to the year 2020. The self-assessment process on the functioning of the Board of Directors was broken down into the following phases: i) definition of a structured questionnaire in five sections sent to the members of the Board of Directors in office; ii) collection of completed questionnaires; iii) processing of the results in aggregate form; iv) identification of the guidelines that have emerged; v) drafting of a report, submitted for prior examination to the Appointment Committee and the Board of Directors (25 January 2020).
The questionnaire was filled in by 10 out of 11 Directors.

The results of the self-assessment can be summarised as follows:
1) the functioning of the Board was positively assessed;
2) the need to further improve the timing of sending preparatory documentation for Board meetings is stressed;
3) with regard to the composition of the Board of Directors, the following were suggested: a) greater differentiation in terms of age; b) a careful assessment of the legislation that will apply to the new Board for the purpose of identifying the members of the Board of Directors and the Board of Statutory Auditors; c) to take into account digital and sustainability issues with respect to the competences of the new Directors; d) the usefulness of the induction sessions was confirmed, with requests for intensifications in relation to issues related to internal procedures and accounting systems.
Once the self-assessment process for the year 2020 was completed, the Appointment Committee prepared the guidelines on the optimal qualitative and quantitative composition of the Board of Directors of Banca Finnat, approved by the Board on 19 March 2021 and made available to the Shareholders on the Bank's website.
Shareholders were invited to consider what is illustrated in the aforementioned “Report on the Qualitative and Quantitative Composition” and to take into consideration the requirements and criteria set out in Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020 for the members of the administrative bodies of banks.

During the current year, the Board of Directors reviewed and updated the Regulations of the self-assessment process of the corporate bodies of Banca Finnat and on 16 December 2021 it approved the start of the self-assessment process, and entrusted the management of the process to internal staff, identified by the Chairman of the Board of Directors, on the proposal of the Appointment Committee. In particular, the Secretary of the Board of Directors and the Head of the Legal Department were appointed as the responsible persons, taking into account the needs of neutrality, objectivity and independence of judgement that must characterise the process.
In particular, since this is the first year of the Board's three-year period, greater importance has been given to aspects such as information flows, the quality of meetings, the degree of involvement of individual members, preconditions for the proper functioning of the board in the years to come.
With reference to the composition of the Board, the self-assessment was directed above all to any training programs useful for increasing members' skills.
By resolution of 10 February 2022, the Board resolved to use only the questionnaire and not other interview techniques. The Questionnaire for the 2021 financial year was therefore adequately expanded and implemented.
The process was conducted in compliance with the provisions of the Self-Assessment Regulation which, in turn, implements the provisions of the Supervisory Provisions as well as of the Code.

The outcome of the self-assessment process for the year 2021, considered as a whole, highlights how the Board of Directors of Banca Finnat Euramerica is a well-functioning, balanced corporate body with an adequate internal organisation, sensitive to constant updating and improvement, showing in this sense full awareness of the issues on which greater efforts need to be made, for growth and to adapt to the relevant sector regulations.

The Bank's Board of Directors currently considers itself fully adequate in terms of composition, both quantitative and qualitative.

The functioning of the Board is assessed to be more than adequate thanks to the high commitment, also in terms of time and availability, of the Directors, which allows them to manage significant workloads, also in consideration of the need to support the discussion of business and strategy, the examination and in-depth study of multiple constantly evolving compliance and regulatory issues.

The information flows and the circulation of information have improved, with adequate and complete timing and format of the documentation preparatory to the work of the Board of Directors.

The internal Board Committees are perceived as an effective control and monitoring tool for the most delicate matters within the Board's competence and act as a stimulus for an open and transparent debate.

Minutes of board and committee meetings are considered timely, complete and articulated, suitable for reproducing the work and debate of the bodies.
The Directors already in office in the previous year have shown great awareness of the aspects on which improvements have occurred compared to the previous mandate, as well as on the aspects still to be refined or the issues to be explored, also in consideration of the recent renewal of the administrative body.

The activities to be implemented are:

- provide for induction sessions on issues such as related parties, conflicts of interest, fair value policy, risk management;
- prioritising issues related to the assumption and management of credit risk and in general within the context of the Board's discussion;
- improve the timeliness of pre-meeting information by sending dedicated emails whenever documents relating to items on the agenda are made available;
- devote adequate time to discuss and study strategic issues and market evolution;
- giving increasing importance to "ESG" and sustainability issues in general, both in terms of non-financial information and in terms of training.

With regard to this last point, the attention that the Bank is paying to the ESG issue is also reflected in the self-assessment process of the Board of Directors, which takes into consideration what is highlighted on the matter by both the Corporate Governance Committee and CONSOB, and is part of the ESG framework, where governance is precisely one of the criteria for assessing sustainability.

With regard to the succession of Directors, it should be noted that the current Board of Directors of the Bank was appointed at the shareholders' meeting of 29 April 2021 and is therefore at the beginning of its three-year term which will expire with the approval of the Financial Statements at 31 December 2023. Therefore, on the occasion of the three-year renewal, the Appointments Committee will draw up its own Guidelines, taking into account what is indicated above by the Corporate Governance Committee.
At the date of this Report, having mainly regard to the Bank's shareholding structure, the Board has not deemed it necessary to approve a succession plan.

7.2 APPOINTMENTS COMMITTEE

The Committee is currently made up of three non-executive and mostly independent Directors: Maria Teresa Bianchi (Chairman), Lupo Rattazzi and Paola Pierri (members)[5].
The Chairman invited the heads of the departments concerned to participate in the meetings in relation to the items on the agenda. The Managing Director is kept informed about the meetings called.

[5] Until 30 April 2021 the Committee was made up of Andreina Scognamiglio (Chairman - Independent), Lupo Rattazzi and Marco Tofanelli (Independent).

The Board of Statutory Auditors has the right to attend the meetings of the Committee.

Functions of the Appointment Committee

The Committee performs support functions for the Board of Directors in the following processes:

1. self-assessment of the bodies in accordance with the provisions of Part One, Title IV, Chapter 1, Section VI of Circular no. 285 of the Bank of Italy, the Corporate Governance Code, the Regulation of the self-assessment process of the corporate bodies;
2. appointment or co-optation of directors as specified in paragraph 2.1, Section IV, Chapter I, Title IV, Part One of Circular no. 285 of Bank of Italy.

Within the process of appointment of Directors by the Shareholders' Meeting, the Committee supports the Board in:

i. prior identification of the qualitative and quantitative composition considered optimal by the Board of Directors and its Committees in relation to the objectives identified in paragraph 1, Section IV, Chapter I, Title IV, Part One of Circular 285, identifying and motivating the candidates' theoretical profile deemed appropriate, setting a target in terms of the quota of the least represented gender (as better described in paragraph 4.2 below);
ii. subsequent verification of the correspondence between the qualitative and quantitative composition considered optimal and the actual composition resulting from the appointment process; this verification is carried out as part of the process of assessing the suitability of representatives to be carried out pursuant to Article 26 of the Consolidated Banking Law.

In this regard, it should be noted that, in the event of co-optation of Directors by the Board of Directors, the consultative role of the Appointments Committee referred to in points i) and ii) is accompanied by the opinion of the Appointments Committee on the suitability of the candidates.

3. identification of candidates for the office of Director in the event of co-optation;
4. definition of any succession plans in relation to top executive positions provided for by Section IV of Circular no. 285 of the Bank of Italy (currently not present in the Bank);
5. adoption of a Policy for the promotion of diversity and inclusiveness;
6. assessment of the revocation of Directors if the conditions referred to in Article 23 of Italian Ministerial Decree no. 169/2020 are met.

The Bank's Articles of Association do not require the outgoing Board of Directors to present a list and therefore the Bank's Appointment Committee does not have the function of assisting the Board in this activity.

During the 2021 financial year, the Committee met 12 times; the meetings lasted an average of 35 minutes.

During 2021, the Committee has:

1. ensured regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting on the activities carried out and the contents of the meetings of the Committee held in the periods between the meetings of the Board of Directors;
2. expressed an opinion on the appointments in subsidiaries and investee companies;
3. analysed the recommendations of the Corporate Governance Committee;
4. expressed its guidelines on the optimal qualitative and quantitative composition of the Board of Directors of the Bank and of the subsidiary InvestiRE SGR and subsequently verified the correspondence between the qualitative

and quantitative composition considered optimal and the actual one resulting from the process of appointing the corporate officers of the Bank and of InvestiRE SGR;

5. supported both the Bank and InvestiRE SGR in the self-assessment process of the Bank's Board of Directors and its Committees;
6. expressed a favourable opinion on the co-optation of a Director;
7. updated its own Regulations.

For the proper performance of its functions, the Committee has the option to access all the information and company functions necessary for the performance of its duties. The Appointments Committee did not make use of external consultants.

8.0 REMUNERATION OF DIRECTORS - REMUNERATION COMMITTEE

The Shareholders' Meeting of Banca Finnat on 30 April 2021 approved the remuneration policies in favour of Directors, employees and collaborators not linked by an employment relationship.

In its capacity as parent company, the Bank has drawn up the remuneration and incentive policies applicable to all investee companies, taking into account their size, the type of activity carried out and the risk involved for the Group; each company is required to ensure the correct implementation of the rules, without prejudice to the applicability of any sector regulations.

The Group's remuneration policy is based on careful cost control, for the benefit of company profitability, and aimed at enhancing merit and motivating results.

The remuneration of the members of the Board of Directors consists solely of the fixed component, linked to participation in board meetings and any internal board committees.

The remuneration of employees - including that of the General Manager and of the other Executives with strategic responsibility (assistant General Manager and Deputy General Manager) - includes an all-inclusive annual fixed part (RAL), and a short-term variable part, linked to the degree of achievement the performance objectives defined in the annual incentive system, without any guaranteed minimum.

For employees, other forms of variable remuneration (e.g. non-competition and stability agreements) are assigned to identified subjects to strengthen their loyalty to the Bank, and safeguard their positions from possible offers from external competitors.

The typical nature of the contractual scheme for non-employed personnel (Financial Advisors linked to the Bank by agency contracts or independent collaborators), on the other hand, generally provides only forms of fixed remuneration.

With reference to the Remuneration and Incentive Policies for the year 2022, in particular it is noted that among the amendments and additions:

- the principle of equal opportunities and the integration of sustainability and ESG principles among the inspiring principles have been appropriately explained;
- the MBO plan introduces qualitative and quantitative objectives connected to ESG factors, differentiated according to the level and role of the various professional roles and the scope of intervention such as, by way of example, objectives on activities involving the SGR as a whole, objectives for the funds participating in the GRESB, objectives for any future funds that will be classified according to Art. 8 and 9 of the SFDR regulation on the transparency of sustainability information, which have specific ESG objectives and related transparency obligations;

For more details, please refer to the Remuneration Report prepared pursuant to Art. 123 - ter of the Consolidated Financial Law for the year 2021, which was published in accordance with the law on the website www.bancafinnat.it in the Corporate Governance section.

8.2 REMUNERATION COMMITTEE

Composition and functioning of the Remuneration Committee (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Financial Law)

The Committee is currently made up of three non-executive and mostly independent Directors: Maria Teresa Bianchi (Independent Chairman), Vincenzo Marini Marini (Independent) and Roberto Cusmai (member)[6]. At least one member has knowledge of finance and remuneration.
No Director took part in the meetings of the Remuneration Committee in which proposals relating to their own remuneration were formulated.
The Board of Statutory Auditors has the right to attend the meetings of the Committee.
The meetings of the Committee must be attended by the head of the Compliance function, the Personnel Manager and the risk manager (or their delegate), the latter in order to ensure that the incentive systems are adequately adjusted to take into account all the risks assumed by the Bank, according to methods consistent with those that the Bank adopts for risk management.
The Managing Director is kept informed about the meetings called.

Functions of the Remuneration Committee

The Remuneration Committee:

1. assists the Board of Directors in drawing up the remuneration policy;
2. verifies, also making use of the information received from the competent corporate functions, the achievement of the performance objectives to which the incentive plans are linked and expresses itself on the achievement of the other conditions set for the payment of the remuneration;
3. monitors the actual application of the remuneration policy;
4. periodically assesses the adequacy and overall consistency of the remuneration policy for directors and top management;
5. has the task of proposing the remuneration of personnel whose remuneration and incentive systems are decided by the Board of Directors;
6. has consultative duties regarding the determination of the criteria for the remuneration of all key personnel;
7. expresses itself, also making use of the information received from the competent corporate functions, on the results of the identification process of key personnel, including any exclusions;
8. supports the Board of Directors in the annual review of the Bank's remuneration policies; in this context, the Committee analyses the neutrality of the remuneration policies with respect to gender and checks the gender pay gap and its evolution over time.
9. collaborates with the other internal Committees of the Board of Directors, in particular with the Risk Committee;
10. ensures the involvement of the competent corporate functions in the process of drawing up and controlling remuneration policies and practices;
11. supports the Board of Directors in the annual review of the Bank's remuneration policies; in this context, the Committee analyses the neutrality of the remuneration policies with respect to gender and checks the gender pay gap and its evolution over time.

[6] Until 30 April 2021 the Committee was made up of Mr. Roberto Cusmai (Chairman), Ermanno Boffa and Andreina Scognamiglio (members).

The Committee met 10 times in 2021, with an average duration per meeting of approximately 45 minutes; two meetings have been held in the current year.

During 2021, the Committee has:
- ensured regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting on the activities carried out and the contents of the meetings of the Committee held in the periods between the meetings of the Board of Directors;
- examined the general principles and the 2021 incentive system of both the Bank and its subsidiaries and expressed a favourable opinion;
- approved the report on its activities carried out in 2020;
- expressed a favourable opinion on the remuneration policies in favour of Directors, employees and collaborators not linked by an employment relationship;
- examined the Remuneration Report relating to the remuneration paid in 2020, prepared pursuant to Art. 123-*ter* of Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Financial Law") and Art. 84-*quater* of Consob Regulation no. 11971 ("IR"), as well as in compliance with the Bank of Italy's Prudential Supervisory Provisions;
- identified the most relevant personnel;
- ascertained the fulfilment of the conditions for activating the 2020 Incentive System of the Bank and of the Group companies;
- expressed favourable opinions regarding the remuneration due to the Bank's most important personnel category;
- approved the update of the criteria for identifying key personnel;
- proposed to the Board of Directors the recognition of a specific remuneration pursuant to Art. 2389, paragraph 3 of the Italian Civil Code directed to two Executive directors;
- approved the update of the Committee Regulations;
- analysed and expressed its opinion to the Board on the letter from the Corporate Governance Committee regarding the topics of interest.

For the proper performance of its functions, the Committee has the option to access all the information and company functions necessary for the performance of its duties. The Appointments Committee did not make use of external consultants.

9.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL AND RISKS COMMITTEE

In line with current legislation and in line with the indications of the Code, the Bank has adopted an Internal Control and Risk Management System (hereinafter "SCIGR") appropriate for continuously monitoring the typical risks of corporate activities.

The SCIGR is therefore the organic set of organisational safeguards, procedures and behavioural rules aimed at allowing, through an adequate process of identification, measurement, management and monitoring of the main risks, a healthy and correct management of the management consistent with the objectives set. This system is an integral part of operations and affects all business sectors and structures, each called upon, to the extent of its competence, to ensure constant and continuous monitoring of risks.

The SCIGR responds to the need to ensure a sound and prudent management of the Bank's and of the group's activities, reconciling, at the same time, the achievement of corporate objectives, the correct and timely monitoring of risks and operations based on criteria of correctness, a system which also complies with the provisions of article 6 of the Code.

Banca Finnat's SCIGR, defined by the Board of Directors and subject to periodic monitoring, consists of:

a) *line controls*: periodic systematic checks on a sample of information, carried out by the managers of the individual operating units, aimed at ensuring the correct performance of the transactions carried out by the same production structures or incorporated in the procedures or carried out as part of back office activities;
b) *risk management controls*: controls carried out by the heads of the individual operating units and by the Risk Management Organisational Unit, connected to the process of defining risk measurement methods, concerning the verification of compliance with the limits assigned to the various operating functions and the control of the consistency of the transactions of the individual production areas with the risk/return objectives assigned for the individual types of risk (credit, market, operational);
c) *compliance checks*: checks carried out by the Compliance Organisational Unit on the compliance of transactions with the provisions of the law, the provisions of the Supervisory Authorities and the Bank's self-regulation rules;
d) *anti-money laundering controls*: controls carried out by the Anti-Money Laundering Organisational Unit on the compliance of transactions with the provisions of the law and the provisions of the Supervisory Authorities on anti-money laundering and financial fight against terrorism and the consequent self-regulation rules of the Bank;
e) *internal audit activity*: activity carried out by the Internal Auditing function, aimed at checking the regularity of the Bank's transactions and risk trends, assessing the functionality of the overall internal control system and identifying anomalous trends, breaches of procedures and regulation.

The Bank's SCIGR also extends to subsidiaries.

The Bank has defined in a specific Policy the guidelines and the fundamental values on which its Internal Control System is based.

The key principles are:

- corporate activity must comply with the applicable internal and external rules and be traceable and documentable;
- the assignment and exercise of powers in the context of a decision-making process must be combined with positions of responsibility and with the relevance and/or critical issues of the underlying economic transactions;
- there must be no subjective identity among those who take or implement decisions, those who must provide accounting evidence of the resolved transactions and those who are required by law and internal procedures to carry out checks on them;
- Confidentiality and compliance with the legislation for the protection of privacy must be guaranteed.

In accordance with current legislation, responsibility for the Internal Control System lies with the Board of Directors, a body responsible for: (i) establishing its direction, strategic guidelines and risk management policies; (ii) approve the organisational structure of the Bank, ensuring that tasks and responsibilities are allocated in a clear and appropriate manner and periodically checking their adequacy and effective functioning, ensuring that the main business risks are identified and appropriately managed; (iii) ensure that the control functions have an appropriate degree of autonomy within the structure and are equipped with adequate resources for proper functioning.

In order to incorporate the recommendations of the Code also with regard to internal controls, the Board:

a) has defined the guidelines of the Internal Control and Risk Management System, so that the main risks affecting the Bank and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, also determining, through the approval of the Risk Appetite Framework, the degree of compatibility of these risks with the Bank's management consistent with the strategic objectives identified, both from an annual and long-term perspective;
b) periodically assesses the adequacy of the Internal Control and Risk Management System with respect to the Bank's characteristics and the risk profile assumed, as well as its effectiveness; this assessment takes place mainly through: (i) the examination, carried out with the support of the Risks Committee and on a quarterly basis, of the results of the *tableau de bord* prepared by the heads of the control functions and on an annual basis, of the results

of the Annual Reports again prepared by the heads of the control functions; (ii) the approval of the work plans prepared by the heads of the corporate control functions.

The Bank also carries out management and coordination activities for the companies of the group through:

a) strategic control over the development of the various business areas in which the group operates and the risks incumbent on the proprietary portfolio. This involves control both on the expansion of the activities carried out by the companies of the group and on the acquisition and disposal policies of the companies of the group; strategic coordination is mainly implemented through the presence, on the Boards of Directors of each subsidiary, of some representatives designated by the Board;
b) a management control aimed at ensuring the maintenance of economic, financial and equity balance conditions both of the individual companies of the group and of the group as a whole. These control needs are met through the preparation of plans, programs and budgets (corporate and group) and through the analysis of periodic situations, interim accounts, financial statements of individual companies and consolidated financial statements pertaining to the entire group. Management coordination is implemented through the intervention of the Organisational Planning and Management Control Unit which handles relations with the bodies/functions of the subsidiaries;
d) a technical-operational control aimed at assessing the various risk profiles brought to the group by the individual subsidiaries.

The Managing Director is responsible for implementing the strategic guidelines, the RAF and the risk governance policies defined by the Board of Directors; in particular he:

a) facilitates the development and dissemination at all levels of an integrated risk culture in relation to the various types of risks and extended to the entire Bank;
b) ensures the implementation of strategic guidelines, of the Risk Appetite Framework ("RAF") and of the risk governance policies defined by the Board of Directors;
c) defines and manages the implementation of the risk management process, ensuring its consistency with the risk appetite and risk governance policies and establishes operational limits for the assumption of the various types of risk, consistent with the risk appetite;
d) establishes the responsibilities of the corporate structures and functions involved in the risk management process, so that potential conflicts of interest are prevented; it also ensures that the relevant activities are directed by qualified personnel, with an adequate degree of independent judgement and with adequate experience and knowledge with regard to the tasks to be performed;
e) defines the internal information flows aimed at ensuring full knowledge and governance of risk factors to the corporate bodies and corporate control functions and verification of compliance with the RAF;
f) puts in place the initiatives and interventions necessary to continuously guarantee the completeness, adequacy, functionality and reliability of the internal control system and brings the results of the checks carried out to the attention of the Board of Directors;
g) ensures correct, timely and secure management of information for accounting, management and reporting purposes.

Main characteristics of the risk management and internal control system in relation to the financial reporting process

The Internal Control System in relation to the financial reporting process is considered an integral part of the risk management system.

This System is aimed at guaranteeing the credibility, accuracy, reliability and timeliness of the financial information that the Bank publishes periodically, meaning by:

Credibility — information that has the characteristics of correctness and compliance with generally accepted accounting standards and meets the requirements set out by the laws and regulations applied;

Accuracy: information with characteristics of neutrality and precision. Information is considered neutral if it is free of preconceived distortions aimed at influencing the decision-making process of its users in order to obtain a predetermined result;

Reliability: information that has the characteristics of clarity and completeness such as to induce informed investment decisions by investors. The disclosure is considered clear if it facilitates the understanding of complex company aspects without, however, becoming excessive and superfluous;

Timeliness: information that meets the deadlines set for its publication.

With reference to the measures adopted by the Bank to guarantee the characteristics of credibility, accuracy, reliability and timeliness of the financial information, reference is made to the activities carried out in relation to the definition of the Governance and Control Model of the Financial Reporting Manager, drawn up pursuant to Art. 154 *bis* of the Consolidated Financial Law, which is a necessary prerequisite to guarantee a constant and complete view of the company areas that are actually relevant for the purposes of preparing the corporate, individual and consolidated accounting documents.

The definition of the Governance and Control Model of the Financial Reporting Manager of the Banca Finnat Group was guided by:

- the preliminary identification of a recognised and widespread comparison model;
- the comparison with reference practices defined or referred to by institutional bodies;
- the comparison with national and international best practices adopted by companies comparable to the Banca Finnat Group.

The model taken as a reference by the Bank, which constitutes an internationally recognised method of analysis and assessment of the Internal Control System, is that established by the CoSO Report - "Internal Control Integrated Framework" - developed by the Committee of Sponsoring Organization of the Treadway Commission.

As part of the activities carried out, the roles and responsibilities of the corporate functions involved in the control and management system of existing risks in relation to the financial reporting process of the Bank and the Group were duly identified.

The correct functioning of the control and management system of existing risks in relation to the financial reporting process is a preliminary process and cannot be separated from the precise identification of the roles and responsibilities of the corporate functions involved.

In this regard, the Bank has formalised the internal information flows and has provided itself with a synoptic framework of the relations between the Financial Reporting Manager and the other corporate functions.

In fact, in compliance with the provisions of Art. 154 *bis* of the Consolidated Financial Law, the Bank has adopted the role of the Financial Reporting Manager responsible for preparing the corporate accounting documents who performs the following tasks:

a) verification of the adequacy and effective application of the administrative and accounting procedures for the preparation of the individual and consolidated financial statements and the condensed half-year financial statements;
b) verification that documents are drawn up in compliance with the applicable international accounting standards;
c) verification of the correspondence of the documents with the results of the books and accounting records;
d) verification of the suitability of the documents to provide a true and correct representation of the equity, economic and financial situation of the Bank and of the set of companies included in the consolidation;
e) verification, for the individual and consolidated financial statements, that the management report includes a reliable analysis of the performance and results of operations, as well as of the situation of the Bank and of the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

To carry out the activities and to implement the necessary controls, the Financial Reporting Manager makes use of the control functions and of the other Organisational Units of the Bank and of the Group and in particular:

a. of the Internal Auditing function, which provides elements and information in relation to the critical areas identified within the Group during its activity, providing its judgements of adequacy on the various entities of the Group and the necessary improvement measures;
b. of the Organisation Service, which provides the necessary support for the formalisation of processes, risks and sensitive controls;
c. of the Group companies that provide the necessary data and information and report any procedure anomalies and malfunctions identified in the course of their activities, which could have a significant impact on the economic and financial situation of the Bank or the Group.

The Financial Reporting Manager reports to the Board every six months on the activity carried out and the checks carried out with their own report.

During the 2021 financial year, the Board of Directors approved the Work Plan prepared by the Internal Audit Function after consulting the Board of Statutory Auditors and assessed the Bank's internal control and risk management system, deeming it adequate to the characteristics of the activity carried out by the Bank itself.

9.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Director in charge of the Internal Control System is the Managing Director, who:

a) identifies the main business risks, taking into account the activities carried out by the Bank;
b) implements the guidelines defined by the Board, overseeing the planning, implementation and management of the internal control and risk management system, constantly verifying its adequacy and effectiveness;
c) ensures the adaptation of this system to the dynamics of the operating conditions and of the legislative and regulatory landscape;
d) may ask the Internal Audit Function to carry out checks on specific operational areas and on compliance with internal rules and procedures in the execution of company operations, simultaneously notifying the Chairman of the Board of Directors, the Chairman of the Risk Committee and the Chairman of the Board of Statutory Auditors and promptly reports to the Board of Directors on any problems and critical issues that arise in the performance of their activities business or of which they have in any case become aware in order for the Board to can take appropriate initiatives.

9.2 RISKS COMMITTEE

Composition and functioning of the Remuneration Committee (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Financial Law)

The Committee is currently made up of three non-executive and mostly independent Directors: Paola Pierri (Chairman - independent), Vincenzo Marini Marini (independent) and Roberto Cusmai (member)[7]. At least one member has adequate knowledge and experience in accounting, finance and risk management.

The managers of the departments concerned were invited to attend the meetings in relation to the items on the agenda.

At least one member of the Board of Statutory Auditors must attend the meetings of the Committee.

The Managing Director is informed of the meetings called.

[7] Until 29 April 2021, the Risks Committee consisted of three non-executive and independent Directors, namely: Marco Tofanelli (Chairman), Roberto Cusmai and Ermanno Boffa.

Functions assigned to the Risks Committee

The Risks Committee carries out support functions to the Board of Directors in matters of risk and the internal control system. It has the task of supporting the assessments and decisions of the Board of Directors relating to the internal control and risk management system and the approval of periodic financial and non-financial reports. In this context, particular attention must be paid by the Committee to all those instrumental and necessary activities so that the Board of Directors can reach a correct and effective determination of the risk governance policies and of the Risk Appetite Framework (RAF).

The Committee supports the Board of Directors in relation to the internal control system and risk management:

a) in the definition and approval of strategic guidelines and risk governance policies, so that the main risks relating to Banca Finnat S.p.A. and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, determining the compatibility criteria of these risks with company management consistent with the strategic objectives identified;

b) as part of the RAF, the Committee carries out the evaluation and driving activity necessary for the Board of Directors to define and approve the risk objectives and the tolerance threshold, pursuant to Circular no. 285, Title IV, Chapter 1, section IV;

c) in the verification of the correct application of the strategies, risk governance policies and the RAF;

d) in the definition of the policies and processes for evaluating corporate activities, including the verification that the price and conditions of transactions with customers are consistent with the business model and risk strategies;

e) in the definition of the corporate policy for the outsourcing of corporate control functions;

f) in the examination of the content of periodic non-financial information relevant for the purposes of the internal control and risk management system;

g) in the examination of specific aspects relating to the identification of the main business risks, supporting the assessments and decisions of the Board of Directors in the management of risks deriving from prejudicial facts of which the latter has become aware;

h) the Committee reports to the Board of Directors, at least on the occasion of the approval of the annual and half-yearly financial report, on the activity carried out and on the adequacy of the internal control and risk management system.

The Committee supports the Board of Directors in relation to the control functions:

a) in identifying and proposing, through the Appointments Committee, the heads of the corporate control functions to be appointed;

b) in the preliminary examination of activity programs and periodic reports of the corporate control functions, including the audit functions, addressed to the Board of Directors and those of particular importance;

c) in verifying compliance with the principles to which the internal control system and company organisation must conform and with the requirements that must be met by the corporate control functions, bringing any weaknesses points to the attention of the Board of Directors and the consequent corrective actions to be promoted; to this end, it evaluates the proposals of the Board of Directors;

d) in verifying that the corporate control functions correctly comply with the indications and guidelines of the Board of Directors and assists the latter in drafting the coordination document required by Bank of Italy Circular No. 285, Title IV, Chapter 3;

e) in monitoring the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function; it may request the Internal Audit function to carry out checks on specific operating areas, simultaneous communication this to the Chairman of the Board of Statutory Auditors.

The Committee supports the Board of Directors in relation to periodic reports of a financial and non-financial nature and in relation to the accounting area:

a) in the evaluation, together with the Financial Reporting Manager responsible for preparing the accounting and corporate documents, after consulting the independent auditors and the Board of Statutory Auditors, of the correct use of the accounting standards and their suitability for the purposes of preparing the separate and consolidated financial statements and the Consolidated Half-Yearly Financial Report;
b) in the assessment of the suitability of the periodic financial and non-financial disclosures, to correctly represent the business model, the company's strategies, the impact of its activities and the performance achieved*)*. In this regard, it should be noted that the committees have not been set up as indicated in *Recommendation 1, a)* of the Code.

In carrying out its functions, the Committee:
a) identifies all the information flows that must be addressed to it in relation to risks;
b) has the option to access the information and company functions necessary for the performance of its duties as well as to make use of external consultants, within the terms established by the Board of Directors. The Bank will make financial resources available to the Committee, where necessary, for the performance of its duties, within the limits of the specific budget approved by the Board of Directors;
c) share all information of mutual interest with the Board of Statutory Auditors and, if appropriate, coordinates with the same for the performance of their respective duties;
d) ascertains that the incentives underlying the bank's remuneration and incentive system are consistent with the RAF ("Risk Appetite Framework"), without prejudice to the remit of the Remuneration Committee.

During the 2021 financial year, the Committee met 15 times for an average duration of 1.40 minutes; four meetings were held in the current year.
During 2021, the Committee has:

- ensured regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting on the activities carried out and the contents of the meetings of the Committee held in the periods between the meetings of the Board of Directors;
- drafted and shared its Annual Report to the Board on the activities carried out in 2020; expressed an opinion on the adequacy and effectiveness of the internal control and risk management system;
- drafted and shared its half-yearly report to the Board on the activities carried out from 1 January to 30 June 2021;
- acknowledged the report on the activity carried out in the second half of 2020 by the Supervisory Body;
- analysed and acknowledged the following documentation:
    - the quarterly Tableau de bord of internal control functions,
    - the ICAAP/ILAAP Preliminary Summary;
    - an update of the RAF - Risk Appetite Framework;
    - the ICAAP/ILAAP report and the related risk analysis;
    - the quarterly report on related party transactions;
    - the annual reports of the control functions;
    - the 2021 activity plan of the control functions;
    - the annual report on complaints, prepared by the Compliance function;
    - the annual Whistleblowing report;
    - the results of the self-assessment on money laundering risks;
    - the report on the controls carried out on the important operational functions outsourced outside the Group drawn up by the Internal Audit function;
    - the report on investment services prepared by the Internal Audit function;
    - the impairment test - methodological note;

- the preliminary results at 31 December 2020;
- half-yearly financial report at 30 June 2021;
- the IFRS 9 and Pillar III validation document;
- the disclosures made by the Financial Reporting Manager responsible for the preparation of corporate accounting documentation;
- information provided by the Bank's DPO regarding the presentation of the new framework for Data Protection controls;
- the methodology for assessing reputational risk;
- the information provided by the risk manager in relation to the Framework stress test;
- analysed and expressed its favourable opinion regarding:
- related party transactions;
- the report on Corporate Governance at 31 December 2021;
- the methodology adopted for identifying the market conditions to be applied in related party transactions;
- update of the Fair Value Policy and Policy Staging Allocation.

It should also be noted that during the 2021 financial year the Risks Committee:

- was not called to express opinions on specific aspects relating to the identification of the main business risks, supporting the assessments and decisions of the Board of Directors in relation to the management of risks deriving from prejudicial facts of which the latter has become aware;
- it was not necessary to assign to the internal audit the task to carry out checks on specific operational areas

For the proper performance of its functions, the Committee has the option to access all the information and company functions necessary for the performance of its duties.
In the first half of 2021, in carrying out the functions relating to related party transactions assigned to it until 5 May 2021, the Risks Committee decided to make use of external consultants for the evaluation of a transaction with a related party.

9.3 HEAD OF THE INTERNAL AUDIT FUNCTION

The Board of Directors of 27 June 2019 appointed Ms. Maria De Simone as Head of the Internal Audit Function.
The remuneration approved by the Board of Directors, subject to the opinion of the Remuneration Committee, is consistent with the Bank's remuneration policies.

The Head of the Internal Audit Function has sufficient resources, in relation to the structure and degree of complexity of the Bank, and with an adequate profile.

Ms. Maria De Simone is responsible for the Function and has no responsibility for any operational area; in order to perform its duties in the best possible way, the Internal Audit Function (Head and employees) is authorised to have unlimited access to company data and external data necessary to carry out its duties.
The function is organisationally placed so as to guarantee the highest level of independence as its head reports directly to the Board of Directors.

Annually the Head of the Internal Audit Function prepares the Audit Plan (structured in a fixed part and a variable part) which is approved by the Board of Directors, after consultation with the Board of Statutory Auditors; in the meeting of 19 March 2021, the Function's Audit Plan for the 2021-2023 three-year period was approved.

Through assessments of an investigative nature, during 2021 the Internal Audit Function carried out the verifications referred to in the Audit Plan on an ongoing basis and in order to ascertain the degree of adequacy of the corporate organisational structure and its compliance with the law in the field of anti-money laundering and supervised the functionality of the overall internal control system. As regards the variable part in particular, the Audit Plan is prepared following a risk-based approach.

In the course of specific meetings, at the end of each intervention, the minutes containing the detailed results of the checks were delivered and commented to the Managing Director and General Manager, a signed copy of which was returned.
On a quarterly basis, the Function reported to the Risk Committee, the Board of Statutory Auditors and the Board of Directors, preparing a brief report on the activity carried out (Tableau de Bord according to the standard required by the Bank of Italy). This report contains the results of the activities carried out also in relation to the subsidiaries, in the reference quarter, and the actions planned for the resolution of any critical issues identified. The report is accompanied by the summary covers requested by the Bank of Italy, one of which gives evidence of the state of implementation of the Audit Plan.
The reports of the checks and the working documentation were made available to the Board of Statutory Auditors at the offices of the Internal Audit Function.

The annual report was drawn up containing the results of the overall activities carried out in 2021, in implementation of the Audit Plan. The report is divided into forms and each card deals with a specific area of intervention and reports on the subject of the checks and the related purposes, the outcomes, the remediation interventions planned in the event of anomalies found and their state of implementation. Any extraordinary checks are the subject of a specific form.
Included in the control areas, referred to in the fixed part of the Plan, is the verification of the "System security and business continuity" carried out with the aim of ascertaining the effectiveness and functionality of the safeguards to protect the security of the internal company network, disaster recovery and business continuity as well as the management of access to information systems. There is a specific form also for this verification, in the annual report.
The report also contains evidence on the activities carried out in relation to the subsidiaries.
Based on the overall findings obtained from the verification activities, an assessment was made of the degree of adequacy and functionality of the Internal Control and Risk Management System.

The annual report was submitted for examination by the Risk Committee and presented to the Board of Directors at the Board meeting which examined the draft financial statements of the Bank and of the Banca Finnat Group.

The following are the main activities carried out by the Internal Audit Function, in implementation of the 2021 Plan:

- Anti-money laundering and anti-terrorism
- ICAAP and ILAAP processes at 31 December 2020 and liquidity risk;
- Systems security and business continuity
- Risk activities with respect to related parties
- Personnel incentive system;
- RAF

- Interbank Deposit Protection Fund.
- Activities of the Rome office and branches
- Supervisory reports.
- Financial instrument advisory process
- Operation of the Legal Unit
- Market Abuse;
- Commission waivers - Activities of the Planning and Management Control Unit;
- Credit process.

9.4 ORGANISATIONAL MODEL pursuant to Italian Legislative Decree no. 231/2001

Since 2004, the Bank has adopted an Organisation, Management and Control Model (hereinafter "the Model") pursuant to Italian Legislative Decree no. 231/2001 (hereinafter the "decree").
The Banca Finnat's Model, adopted by the Board of Directors, consists of:

- a General Part, which summarises the essential characteristics of the preventive organisation and which contains:
  - the inspiring principles;
  - the description of the governance system and control bodies;
  - the identification and appointment of the Supervisory Body;
  - the disciplinary system and the related disciplinary organisation.
- a Special Part, which describes the offences from which the Bank's liability derives. For each offence applicable to Banca Finnat's core business, the various activities that present a potential risk for the commission of the different types of offences contemplated in the Decree are also identified, as well as the structures and/or functions of the Bank within which the same offences may be more easily performed and the main procedures and/or internal rules aimed at preventing them.

In particular, the Special Part the offences from which the Bank's administrative liability derives.
The offences envisaged by the Decree that could potentially be committed with regard to the Bank's typical business are described in detail and in particular are:

1. Offences against the public administration pursuant to Art. 24 and 25 of the decree;
2. Computer offences and unlawful processing of data pursuant to Article 24 bis of the decree;
3. Currency forgery offences pursuant to Art. 25 bis of the decree;
4. Corporate offences pursuant to Art. 25 ter of the decree;
5. Offences with the purpose of terrorism or subversion of the democratic order, transnational organised crime and money laundering offences pursuant to Art. 25 quater, 25 octies of Italian Legislative Decree no. 146 of 16 March 2006;
6. Crimes against the individual pursuant to 25 quinquies of the decree;
7. Market abuse pursuant to Art. 25 sexies of the decree;
8. Manslaughter and serious or very serious negligent injuries crimes with violations of the rules on the protection of health and safety at work (Articles 589, 590 and 583 of the Criminal Code; Article 2087 of the Civil Code; Article 55 of Italian Legislative Decree no. 81 of 9 April 2008) pursuant to Art. 25 septies of the decree;
9. Self-laundering offence pursuant to 25 octies of the decree;
10. Offences relating to violations of copyright pursuant to Art. 25 novies of the decree;
11. Environmental offences pursuant to 25 undecies of the decree;

12. Employment of citizens of third countries whose stay is "irregular" pursuant to Article 22, paragraph 12, of Italian Legislative Decree no. 286 of 25 July 1998.
13. Tax offences pursuant to Art. 25 quinquiesdecies of the decree.

On 30 April 2021 the Board appointed the members of the Body: Salvatore Ferri, Barbara Fasoli Braccini and Laura Bellicini (members).
The current composition of the Supervisory Body coincides with the composition of the current Board of Statutory Auditors.

9.5 INDEPENDENT AUDITORS

In accordance with the law, the statutory audit of the accounts is entrusted to an independent auditing company registered in the special Consob register, whose appointment is the resolved by the Shareholders' Meeting.
The Bank's Shareholders' Meeting of 1 August 2019 conferred the mandate for the statutory audit of the financial statements for the 2020-2028 nine-year period to KPMG S.P.A.
The independent auditors have free access to data, documentation and information useful for carrying out their activities.
For each financial year, the independent auditors issue a report in which it sets out their opinion on the compliance of the Bank's financial statements with the rules governing it.
Having consulted the Board of Statutory Auditors, in 2021 the Board took note of the certification of the financial statements by the Independent Auditors.

9.6 FINANCIAL REPORTING MANAGER RESPONSIBLE FOR THE PREPARATION OF CORPORATE FINANCIAL STATEMENTS AND OTHER CORPORATE ROLES AND FUNCTIONS

The role of the Financial Reporting Manager responsible for the preparation of the financial statements (hereinafter the "Financial Reporting Manager") is governed by the Bank's Articles of Association, which provides that they are chosen from among employees who have performed managerial functions for at least three years in accounting and/or auditing and/or internal auditing, also in other companies, or alternatively, who have practised the profession of chartered accountant for at least five consecutive years, in compliance with the integrity requirements established under the applicable rules for the appointment of members of the control bodies of listed companies.
The office is considered to be an open-ended mandate from the Board, that is to say until the expiry date which may be established at the time of appointment, in both cases without prejudice to termination by the same Board.
In the meeting of 9 February 2017, the Bank's Board of Directors appointed as Financial Reporting Manager the Assistant General Manager, Mr. Giulio Bastia.
The Board of Directors ensures that the Financial Reporting Officer has adequate means and powers to exercise the assigned tasks with the aid of all the necessary human and material resources of the Bank and exercising autonomous spending powers within the budget authorised annually by the Board of Directors on the basis of a specific proposal by the same Financial Reporting Manager, to be submitted in advance to the Board of Statutory Auditors.
More specifically, the Financial Reporting Manager is given for the performance of the tasks assigned to them every necessary power so that they can independently:

a. formulate and sign in the name and on behalf of the Bank, all accounting communications to be sent to the market;
b. sign correspondence and communications of an accounting nature binding for the Bank;
c. prepare and sign the reports on the annual and consolidated financial statements;
d. prepare and approve company procedures when they have an impact on the separate or consolidated financial statements and on documents subject to certification;

e. freely access any information deemed relevant both within the Bank and the companies of the group, to obtain adequate flows of information and/or documentation;
f. interface with every body and/or operational and control manager of the Bank;
g. have free access to all of the Bank's information systems;
h. have spending powers within the limits of the budget annually authorised by the Board of Directors;
i. organise the company structure using internal resources and, where necessary, delegate activities also in outsourcing;
j. organise the human resources of the organisational units concerned on the basis of number and professionalism;
k. organise their own office by appointing and organising all human resources and technical means deemed necessary;
l. make use of the Internal Audit, Organisation and Compliance functions for the mapping and analysis of the processes of competence and in the execution of specific controls deemed necessary.

As a banking institution, Banca Finnat is subject to the supervisory regulations of the Bank of Italy which provide for stringent rules aimed at concretely guaranteeing the independence and impartiality of judgement of the heads of the control functions.
The Control Functions report directly to the Board of Directors in order to guarantee the highest level of independence.
In line with the provisions of the Supervisory Provisions in force, incentives for the staff of the control functions (Compliance, Internal Audit, Risk Control and Anti-Money Laundering), are completely independent from the results of the areas subject to their control.
The variable remuneration of the staff of the control functions is not subject to incremental mechanisms related to results.

9.7 COORDINATION AMONG THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors of the Bank assesses the adequacy and effectiveness of the Internal Control and Risk Management System on a half-yearly basis with respect to the characteristics of the Bank and the risk profile assumed.
All flows in support of the assessments of the SCIGR by the Bank's Board are preliminarily examined by the internal Risks Committee - in which at least one member of the Board of Statutory Auditors participates - which reports the results of its preliminary activities directly to the Board, with periodic reports and/or by issuing opinions.
Also taking into account the contents of the aforementioned Reports and the information acquired from the delegated bodies, the Board of Directors has assessed the Bank's administrative and accounting organisational structure as adequate at the date of the Board meeting.
On 25 January 2022, the Bank's Board of Directors approved the Regulation on flows among corporate bodies which aims to regulate the system of information flows aimed at promoting the efficient and effective functioning of the Corporate Bodies of Banca Finnat, in compliance with the provisions of Circular no. 285/2013 (Title IV, Chapter 1, Section V) and the Code.
Each information flow is qualified by the presence of the following attributes:

i. Owner
ii. Information Name
iii. Frequency
iv. Expiry
v. Addressee
vi. Legislative reference

The Regulation provides that the information flows and the reports generated among the Corporate Bodies must be structured on the basis of uniformity principles

i. Clarity and completeness
ii. Value creation
iii. Conciseness

Finally, the regulation governs the methods of transmission of the flows and the confidentiality obligations required of the recipients of the individual information flows.

10 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 16 December 2021 the Board of Directors approved a new version of the "Regulations for Related Party Transactions and for the assumption of risk activities with Related Parties" ("Regulation") already adopted in 2013 pursuant to Art. 2391-*bis* of the Italian Civil Code, of Consob Regulation no. 17221/2010 and of Title V, Chapter 5, of the New Prudential Supervisory Provisions for Banks pursuant to Circular no. 263 of the Bank of Italy. The aforementioned Regulation is available on the Company's website (www.bancafinnat.it), under Investor Relations/Corporate Governance.

The Regulation's objective is to define the competences and rules governing the identification, approval and implementation of related party transactions (including, first of all, Related Parties, as well as other subjects, included in the category in order to fulfil the supervisory provisions for banks set out by the Bank of Italy), carried out by the Issuer or by a company of the Banca Finnat banking group, in accordance with the provisions of Article 2391-bis of the Italian Civil Code, the CONSOB Regulation adopted through Resolution no. 17221 of 12 March 2010), as subsequently amended and supplemented, and by Part Three, Chapter 11, of Bank of Italy Circular no. 285 including "Supervision Provisions for Banks".

The rule according to which the directors involved in the transaction are obliged to abstain from voting on the transaction itself is applied.

The Bank has adopted a specific organisational process and specific IT software for the registration of Related Parties and for the management of transactions with Related Subjects. The main provisions contained in the Regulation are illustrated below.

The identification of the Related Parties is carried out through a specific questionnaire. Signature of the questionnaire requires the Related Subject to promptly notify the Bank of any updates.

In the presence of a possible transaction, the individual Organisational Units ("OU") ascertain whether the counterparty is a Related Subject or otherwise. In the event of a positive response, the competent OU sends without delay to the Legal OU, to the Compliance OU and to the Risk Control OU the documentation relating to the possible transaction, for verification according to the procedures set out in the aforementioned organisational process.

For the purposes of applying the definition of transactions with Related Parties, the assessment takes into account the substance of the relationship and not just its legal form.

The Related Parties Committee, made up exclusively of Independent and unrelated Directors, is responsible for issuing:

- with regard to Transactions of Greater Importance, to the Board of Directors, its binding, prior and motivated opinion on the Bank's interest in carrying out Related Party transactions, as well as on the convenience and substantial correctness of the related conditions;
- with regard to the Transactions of Lesser Importance, to the Board of Directors and the Board of Statutory Auditors: pursuant to Article 9 of the Regulation concerning transactions of Lesser Importance, its non-binding opinion.

If one or more independent directors, members of the Committee, are related with reference to the transaction or have a personal interest in the transaction pursuant to Art. 2391 of the Italian Civil Code with reference to a specific related party transaction, the analytical opinion may be provided by the other Independent Directors.

The Committee also plays a fundamental role in complying with the limits on risk activities
With reference to Related Party Transactions, the resolutions concerning Transactions of Greater Importance fall under the competence of the Board of Directors. If the Board of Directors makes use of opinions issued by experts qualified as independent, these opinions are attached to the minutes of the resolution on the transaction.
For the purposes of its opinion, the Committee may request to be assisted, at the Bank's expense, by one or more independent experts of its choice and represent to the Board of Directors any gaps or inadequacies identified in the pre-resolution phase. The Committee checks in advance the independence of the experts it intends to make use of, taking into account the reports indicated in paragraph 2.4 of Annex 4 to Consob Regulation no. 17221/2010 and subsequent amendments and additions.
The Committee expresses a motivated binding opinion on the Bank's interest in completing the transaction, as well as on the convenience and substantial correctness of the related conditions. The opinion delivered is attached to the minutes of the Committee meeting.
The minutes of the resolutions of the Board of Directors contain adequate reasons on:
- the interest in carrying out the transaction as well as the economic convenience for the Bank and the substantial correctness of the related conditions;
- the reasons for any discrepancies, in terms of economic-contractual conditions and other characteristic profiles of the transaction, with respect to the standard or market conditions; suitable elements to support this motivation must be shown in the documentation accompanying the resolution.
If the proposal to be submitted to the Shareholders' Meeting is approved by the Board of Directors in the presence of a contrary opinion from the Related Parties Committee referred to in Article 5, without prejudice to the provisions of Articles 2368, 2369 and 2373 of the Civil Code and without prejudice to any statutory provisions required by law, the Shareholders' Meeting may in any case resolve to carry out the transaction, except in cases in which sufficient unrelated shareholders present at the meeting representing 10% of the share capital with voting rights vote against it.
As soon as they are approved, Transactions of Greater Relevance relevant for the purposes of the relevant regulations are disclosed to the public by means of an information document drawn up in compliance with Annex 4 of the CONSOB Regulation on transactions with related parties.
The information document referred to in the previous paragraph is made available to the public at the registered office and in the manner indicated in Article 5, paragraph 3, of the CONSOB Regulation within 7 days of the approval of the transaction by the competent body or, if the competent body decides to submit a contractual proposal, from the moment in which the contract, even in a preliminary form, is concluded on the basis of the applicable regulations.
Any opinions of Independent Directors and independent experts, in addition to the opinion of the Committee, are simultaneously made available to the public, attached to the information document or on the Bank's website.
The information document is also prepared if, during the financial year, transactions with the same related subject are concluded which, although not individually qualifiable as transactions of Greater Importance, are similar to each other or carried out in execution of a unitary plan and cumulatively exceed the relevance thresholds referred to in Annex 3 to the CONSOB Regulation on transactions with related parties. In this case, the information document is made available to the public and to CONSOB in the manner referred to in the preceding paragraphs within 15 days from the approval of the transaction or from the conclusion of the contract that determines the excess of the significance threshold and also contains information on aggregate basis on all transactions considered for the purpose of cumulation.

The Regulation provides for the following cases of exclusion from the application of the related provisions, in addition to the cases excluded by Article 13, paragraph 1, of the CONSOB Regulation, without prejudice to the provisions on public disclosure:

(a) transactions of Negligible Amount; a transaction is considered to be of Negligible Amount if it involves the assumption of a risk borne by the bank or the transfer of an asset or the provision of a service by the bank, the amount of which is determined on the basis of remuneration or standard commissions, which have a value that does not exceed the threshold of 250,000 euros, when the counterparty is a legal person, and the threshold of 200,000 euros when the counterparty is a natural person;
(b) the remuneration plans based on financial instruments approved by the shareholders' meeting pursuant to Article 114-bis of the Consolidated Financial Law and the related executive transactions, which are consistent with the supervisory provisions on incentive and remuneration systems for banks;
(c) the resolutions regarding the remuneration of directors vested with particular offices, in cases where the remuneration does not fall within that determined overall pursuant to article 2389, third paragraph, of the Italian Civil Code, and the resolutions relating to remuneration of Key Executives, provided that:
i) the Bank has adopted a remuneration policy consistent with the supervisory provisions on incentive and remuneration systems for banks, approved by the shareholders' meeting;
ii) a committee made up exclusively of non-executive directors, the majority independent, was involved in the definition of the remuneration policy;
iii) the remuneration awarded is identified in compliance with this policy and quantified on the basis of criteria that do not involve discretionary assessments;
(d) Ordinary Transactions of Lesser Relevance at conditions equivalent to market or standard conditions.
(e) transactions with subsidiaries or associates, under certain conditions.

10.1 RELATED PARTIES COMMITTEE

On 5 May 2021, the Board of Directors appointed the Related Parties Committee[8], made up exclusively of Independent and unrelated Directors and specifically by: Vincenzo Marini Marini (Chairman), Maria Teresa Bianchi and Paola Pierri (members).
In relation to the items on the agenda, persons who are not members may be invited to participate in the meetings of the Committee, to provide information and express the relevant assessments with reference to the individual items on the agenda.
The convocation of the Committee is also sent to the Head of the Compliance Function, who has the right to participate. The Board of Statutory Auditors has the right to attend the meetings of the Committee.

The Related Parties Committee has preliminary, consultative and propositional functions, which are carried out in the formulation of opinions and proposals. In particular, the Committee: a) expresses its binding, preventive and motivated opinion to the Board of Directors and the Board of Statutory Auditors on the Bank's interest in carrying out transactions of Greater Importance with Related Parties as well as on the convenience and substantial correctness of the related conditions; b) expresses its non-binding opinion to the Board of Directors and the Board of Statutory Auditors on transactions of Lesser Importance; c) resolves on the adoption of Framework Resolutions as required by the Regulations for Transactions with Related Subjects adopted by the Bank.
During 2021, the Committee has:

- Expressed a favourable opinion regarding two transactions with related parties;
- Drafted and approved its own Regulations;
- Expressed favourable opinion for the update of the Regulations for Related Party transactions and for the assumption of risk activities with regard to related parties.
- Analysed the inspection report of the Bank of Italy for the parts of its competence;

[8] Previously its functions were assigned to the Risk Committee.

- Examined the possible renewal of the framework resolution for current account overdrafts with related parties and of the framework resolution for transactions in financial instruments with related parties.
- Expressed analytical, motivated and binding opinions, pursuant to article 16.1 of the "Regulation for related party transactions and for the assumption of risk activities with related parties on the updating of the same;
- Expressed analytical and reasoned opinions, pursuant to Bank of Italy Circular no. 285 of 2013, part III, chapter 11, section III, paragraph 2, on the update of the Related Parties Policy.

In order to facilitate the identification and adequate management of potential situations of conflict of interest, in addition to the Regulations for related party transactions, the Bank has adopted a Related Party Policy, an internal process and a specific IT system.

11 BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT

Pursuant to art. 22 of the Articles of Association, the Shareholders' Meeting elects the Board of Statutory Auditors, made up of three standing auditors and two alternate auditors, all auditors included in the specific register established at the Ministry of Justice.

In compliance with the pro tempore regulations in force concerning gender balance, the entire Board of Statutory Auditors is elected on the basis of lists submitted by the shareholders, in which candidates nominated for standing auditor are indicated by progressive numbers and those for alternate auditor by progressive letters.
The quorum required for the presentation of lists by minorities for the election of one or more members of the Board of Statutory Auditors (pursuant to Article 148 of the Consolidated Financial Law) is 2%.
The Bank's Articles of Association define the procedures, times and requirements for the presentation of the lists.
The Shareholders' Meeting elects the Board of Statutory Auditors, comprising three regular and two alternate auditors.
Persons in incompatible circumstances as provided for by law and those who cannot meet the requisites of honour, independence and professionalism in compliance with current regulations, may not serve as statutory auditors, nor may those who exceed the limits related to the number of appointments permitted by applicable laws and regulations.
At least one regular auditor and one alternate auditor must be registered for a period of at least three years in the log of statutory auditors and must have performed service as statutory auditor for a period not shorter than three years. The other regular and alternate members shall be chosen from persons who have exercised for at least three years, even alternatively, the activity of statutory audit or one of the activities referred to in Article 7, paragraph 2 of the Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020.
The entire Board of Statutory Auditors, in compliance with the pro tempore regulations in force concerning gender balance, is elected on the basis of lists submitted by the shareholders, on which the candidates nominated for regular auditor are indicated by progressive numbers and those for alternate auditor by progressive letters.
The first candidate of each section from which the Regular Auditors and the Alternate Auditors of each list will be drawn shall meet the requirements laid down by the regulations in force for the position of Chairman of the Board of Statutory Auditors.
In order to ensure gender balance within the Board of Statutory Auditors, the lists presenting a number of candidates equal to or greater than three must include, in the first two places of the Regular Auditor and Alternate Auditor section(s), where they are indicated, at least two candidates of opposite gender.
The lists must be submitted to the Company no later than twenty-five days prior to the date of the Shareholders' Meeting on first or single call and made available to the public in accordance with the applicable regulations no later than twenty-one days prior to the date of the Shareholders' Meeting on first or single call.

Each shareholder and likewise all the persons participating in a shareholders' agreement pursuant to Art. 122 of Italian Legislative Decree no. 58 of 24 February 1998, their respective parent companies, their respective subsidiaries, and those subject to common control pursuant to Art. 93 of Italian Legislative Decree no. 58 of 24 February 1998 may not submit or participate in the submission, even by means of a third party or trust company of more than one list, nor vote, even by a third party or trust company, for different lists and each candidate nominated can only appear on one list subject to ineligibility.

Nominations made and votes cast in infringement of such ban will not be attributed to any list. Only those shareholders who, alone or together with other shareholders, represent as a whole at least the percentage of the share capital established by the pro tempore regulatory provisions in force, which will be indicated in the notice of call of the Shareholders' Meeting, will have the right to submit lists.

To demonstrate ownership of the number of shares required to submit a list, at the time of submission the Shareholders must have delivered to the Company specific notification of an authorised intermediary as required by law, within the period provided for by the applicable legal provisions.

Together with each list, by the deadline established for submission to the Registered office, the Company must submit (i) information regarding the identity of the shareholders who have submitted the lists, indicating the percentage of overall participation held, (ii) the declarations in which the individual nominees accept their nomination and attest, under their own responsibility, that there are no causes of ineligibility or incompatibility and that they meet the requirements provided for by the legislation in force for the assumption of the respective offices, (iii) a résumé containing exhaustive information on the personal and professional characteristics of each candidate and the list of directorships and audit appointments held in other companies, (iv) a declaration by the shareholders other than those who hold, including jointly, a controlling interest or a relative majority, certifying the absence of any relationship of affiliation within the meaning of the applicable regulations, and (v) any other information required by laws and regulations.

Any lists submitted which disregard the provisions of this article shall be considered as not submitted. In the event of multiple lists, the election of the members of the Board of Statutory Auditors will proceed as follows: a) from the list with the highest number of votes expressed by the Shareholders are taken, in the progressive order in which they are listed in the list itself, two standing auditors and one alternate auditor; b) the chairman of the Board of Statutory Auditors ("Minority Auditor") and one alternate auditor, in the progressive order in which they are listed in the list itself, are taken from the list that is not connected in any way, not even indirectly, with those who submitted or voted for the list referred to in letter a) above and that received the highest number of votes after the first one. In the event of a tie among two or more lists, the candidates on the list whose first candidate for the office of Regular Auditor is the eldest shall be elected.

Should it be necessary to replace a member of the Board of Statutory Auditors, the Alternate Auditor called to serve shall be the one from the same list as the Auditor requiring replacement and if replacement by such auditor shall not occur, the subsequent candidate on such list in progressive order or, if this fails to take place and when the Auditor to be replaced is the Minority Auditor, the first candidate on the minority list that received the second highest number of votes. It is understood that the replacement shall guarantee compliance with the minimum number of members registered in the register of statutory auditors who have worked as certified auditors in accordance with the provisions in force, the pro tempore regulations on gender balance and compliance with the requirements for assuming the position of Chairman of the Board of Statutory Auditors.

Should it prove impossible to replace the Minority Auditor by the methods indicated above, the Shareholders' Meeting called to fill vacant positions on the Board pursuant to law shall act in a way that allows the election of such auditor in compliance with the principles established by the Regulations adopted by Consob with resolution no. 11971/1999 and with the pro tempore regulations in force concerning gender balance, as well as in such a way as to allow the presence of the minimum number of members registered in the register of statutory according to current regulations. If only one

or no list is submitted, the first three candidates in progressive order shall be elected regular auditors, and the fourth and fifth candidates or those voted by the Shareholders' Meeting, respectively, subject to their having achieved the relative majority of votes expressed by the Shareholders' Meeting, shall be elected alternate auditors.
This is without prejudice to compliance with the pro tempore regulations in force concerning gender balance and the presence of a minimum number of members registered in the register of statutory auditors who have worked as certified auditors in accordance with the provisions in force.

11.2 COMPOSITION AND OPERATION (pursuant to Art. 123-bis, paragraph 2 letters d) and d) bis) Consolidated Financial Law)

The Statutory Auditors remain in office for three financial years and can be re-elected.
The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 30 April 2021 and will remain in office until the approval of the financial statements at 31 December 2023.
The members of the Board of Statutory Auditors were all drawn from the single list presented by the relative majority shareholder Arturo Nattino. As no minority list was presented, Mr. Salvatore Ferri was elected Chairman on the proposal of the majority shareholder. The Shareholders' Meeting approved the appointment of the Board of Statutory Auditors with the favourable vote of 93% of the voting capital (equal to 69% of the share capital).

The members in office are: Salvatore Ferri (Chairman), Barbara Fasoli Braccini (standing auditor), Laura Bellicini (standing auditor), Nicola Pironti di Campagna (alternate auditor) and Monica Petrella (alternate auditor).
The curriculum with the personal and professional characteristics of the Statutory Auditors is available on the Bank's website www.bancafinnat.it, in the Governance section.
During the year there was a constant exchange of information between the Board of Statutory Auditors and the control functions of the Bank.

The Board of Statutory Auditors met 21 times in the year 2021, attendance at the meetings was 96%, with an average duration of approximately 2 hours. During the current year, two meetings have already been held.
The Board of Statutory Auditors attends the meetings of the Risk Committee and has the right to attend the meetings of the Remuneration Committee, the Appointment Committee and the Related Parties Committee (see section 9.7).

As per the checks carried out by the Board of Statutory Auditors and the Board of Directors on 25 May 2021, the current composition of the board is adequate to ensure the independence and professionalism of its function.

Diversity Criteria and Policies

In relation to the composition of the Control Body, the Bank is required to comply with the provisions of Bank of Italy Circular no. 285/2013 on corporate governance, the Issuers' Regulation, the Italian Ministerial Decree no. 169/2020 and the Articles of Association.
As regards the issue of the gender quota, it should be noted that the 2020 Budget Law provided for a reserve in favour of the less represented gender equal to "at least two fifths" of the members of the Board and established that this distribution criterion applies to "six consecutive mandates" "starting from the first renewal of the administrative and control bodies of companies listed on regulated markets following the date of entry into force of this law", which took place on 1 January 2020. As specified by CONSOB (bulletin of 30 January 2020), the criterion of rounding up to the higher unit provided for by paragraph 3 of the aforementioned art. 144-undecies.1 of the Issuers' Regulation for corporate bodies formed by more than three components still applies.

Therefore, by virtue of current legislation, the Bank complies with the diversity criteria, including gender, in the composition of the Board of Statutory Auditors; in fact, one third of the standing and alternate members of the Board is made up of statutory auditors of the less represented gender.

Independence

The Board of Statutory Auditors made its assessments on the basis of the information made available by each Statutory Auditor, also assessing the circumstances deemed relevant for the purposes of the independence requirement.
At the beginning of its mandate, in the context of its Regulations, the Board identified the quantitative and qualitative criteria for assessing the significance of the relevant circumstances pursuant to the Code for the purposes of assessing the independence of directors.
Auditors meeting the independence requisites envisaged by art. 14 of the Fit & Proper Decree, by art. 148, paragraph 3, of the Consolidated Financial Law, and/or by the Corporate Governance Code, unless otherwise provided by law, are considered to be independent.
As regards the independence requirements of Statutory Auditors, following the outcome of the audit by the Board of Statutory Auditors held on 25 May 2021, all the members of the Control Body were found to be independent pursuant to the Consolidated Financial Law, the Fit & Proper Decree, as well as the recommendations contained in the Corporate Governance Code, as per the press release issued on the same date.

Remuneration

The remuneration of the Board of Statutory Auditors was approved by the shareholders' meeting of 30 April 2021 for the 2021/2023 three-year period. Statutory Auditors are entitled to the reimbursement of the expenses incurred by reason of their office.

Interest management

In its Regulations, the Board of Statutory Auditors provides that each auditor who, on their own behalf or on behalf of third parties, has an interest in a specific transaction of the Bank, promptly and comprehensively informs the other auditors and the Chairman of the Board about the nature, terms, origin and scope of their interest.

12.0 RELATIONS WITH SHAREHOLDERS

Banca Finnat is a company listed in the Euronext STAR Milan segment (High Requirements Securities Segment), open to companies that undertake, among other things, to meet the highest requirements of disclosure transparency, corporate governance and liquidity.
Banca Finnat's Investor Relation Manager is Mr. Gianfranco Traverso Guicciardi (tel. 06/699331 e-mail: g.traverso@finnat.it).
In the Investor Relations section of the Bank's website (www.bancafinnat.it), both accounting and financial information are made available (financial statements, half-yearly and quarterly reports, trends in the market value of financial instruments issued by the Bank and traded on regulated markets), and information of interest to all shareholders (composition of corporate bodies, group structure, etc.), as well as press releases, documents published on occasion of periodic meetings with the financial community, illustration of extraordinary transactions and other relevant and price sensitive information.
The website also includes the calendar of corporate events, with the dates of the Shareholders' Meeting and of the meetings of the Boards of Directors called to approve the draft financial statements, the consolidated financial statements, the half-year report and the interim reports of management, as well as those of a more strictly financial nature.

Dialogue with Shareholders

The Bank pays particular attention to investor relations to manage relations with shareholders and the financial community (institutional investors, managers, analysts) in a transparent manner; for this purpose it participates and organises periodic meetings with the financial community, of which it provides adequate information on its website, in the dedicated section.
The Bank adopts an approach to dialogue with shareholders based on compliance with the principles of transparency of the information provided, ensuring that it is clear, complete, truthful and not misleading.
Through the Investor Relator, the Bank guarantees a constant, timely and transparent connection with its shareholders, both on an individual and collective basis, by means of direct communication channels and by means of ordinary channels for the dissemination of information to the market.

13.0 SHAREHOLDERS' MEETINGS

Duly constituted, the Shareholders' Meeting represents all the shareholders and its resolutions, taken in compliance with the law, binds them even if they do not participate or dissent. The ordinary or extraordinary Shareholders' Meeting takes place in accordance with the law and with the provisions of the Articles of Association.
The Board of Directors shall call a shareholders' meeting for approval of the financial statements at least once a year, within one hundred twenty days of the close of the financial year. Shareholders' meetings, whether ordinary or extraordinary, may be held at the registered office or at another location to be specified in the notice of call, provided this is in the territory of the Italian State. The provisions of law apply to the procedures for calling the Shareholders' Meetings, their constitution and the validity of the resolutions adopted.
The Chairman of the Shareholders' meeting is responsible for ensuring that the meeting is validly assembled, verifying the identity and eligibility of the attendees, conducting the proceedings and ascertaining the outcome of votes, and these formalities must be noted in the minutes.
The following are not envisaged: multiple voting shares, the provision of increase in voting rights, nor particular provisions regarding the percentages established for the exercise of voting rights and the prerogatives set to protect minorities.
Shareholders' meetings are chaired by the Chairman of the Board of Directors, or in his absence, by the Deputy Chairman of the Board of Directors; if both of those parties are absent the shareholders' meeting will be chaired by the person designated by the shareholders in attendance. The Bank's Articles of Association define the procedures for convening and conducting them.

Shareholders with voting rights can be represented at the Shareholders' meeting by issuing a written power of attorney to the representative, which can be conferred electronically in compliance with current regulations. In such case, the electronic notification of the power of attorney can be made by using the specific section of the Company's web site or via certified email in accordance with the procedures indicated in the notice of call, or using any other electronic notification method indicated in the notice of call, within the terms and using the methods envisaged by the laws and regulations in force. The foregoing is free of charge for the Shareholders.

At the Shareholders' Meeting of 30 April 2021, the relative majority shareholder communicated to the public well in advance the proposal for the appointment of the Board and the Board of Statutory Auditors for the 2021/2023 three-year period and relative determination of the remuneration to be submitted to the Shareholders' Meeting.
At the Shareholders' Meeting of 30 April 2021, seven Directors were present.
All the documentation relating to the Shareholders' Meeting was made available in time on the Bank's website and at its registered office.

On 18 December 2018, pursuant to Article 7 of the Articles of Association and in compliance with the principles set out in the Code, the Board of Directors adopted a regulation that governs the conduct of the Bank's ordinary and extraordinary Shareholders' Meeting, approved by the Shareholders' Meeting of 24 April 2019 and amended by the subsequent Shareholders' Meeting of 1 August 2019, to incorporate some of the additions requested by a shareholder. During the financial year there were no significant changes in the market capitalisation of the Bank's shares or in the composition of its shareholding structure.

Said Regulation governs the convening of the meeting, the possible integration of the agenda and presentation of new resolution proposals, the documentation on the items on the agenda, the participation in the meeting, the conduct of the meeting, the right to ask questions, the discussion, the vote, and finally the appointment of the corporate bodies.

The explanatory reports and any further documentation relating to the items on the agenda are published by the Bank on its website, in the Investor Relations section dedicated to the Shareholders' Meeting and communicated to the market in the manner and within the times established by the legislative and/or regulatory provisions pro tempore in force in order to allow each shareholder to deliberate with full knowledge of the facts of the decisions pertaining to the shareholders' meeting.

The Chairman of the Remuneration Committee reported at the meeting on the Remuneration Report pursuant to Art. 123 ter of the Consolidated Financial Law.

With regard to point 2 of the agenda of the "ordinary part" of the shareholders' meeting of 30 April 2021 for the purpose of submitting lists by the shareholders, the Board of Directors invited them to consider what is illustrated in the "Report on the Qualitative and Quantitative Composition" available on the Bank's website and to take into consideration the requirements and criteria set out in the Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020 for the members of the administrative bodies of banks.

14.0 ADDITIONAL CORPORATE GOVERNANCE PRACTICES

Credit Committee

With a resolution of 16 February 2004, the Board of Directors established the Credit Committee as a consultative tool in the deliberation phase of the granting of credit lines and subsequently, in the meeting of 12 November 2010, resolved to assign the Committee also a deliberative function, within limits established by the Board itself.
Appointed by the Board of Directors, the Committee is made up of seven members:
Arturo Nattino (Chairman), Giulio Bastia, Leonardo Buonvino, Giampietro Nattino, Tommaso Gozzetti, Carlo Pittatore, and Antonio Aloi (members).
Participation in Committee meetings, in relation to the topics discussed, can be extended to collaborators or third parties.

Functions of the Committee:

- formulate the contents of the credit policy that will be submitted by the Managing Director and General Manager to the Board of Directors;
- propose any improvements to be made to the credit regulations, procedures and systems to support credit activities;
- define the economic conditions to be applied to individual lending practices;

- to express an advisory opinion on the proposals for assignment and the change in status of the positions reserved to the decision-making competence of the higher bodies of the Committee, after having heard the opinion of the Head of the Risk Control organisational unit for competence;
- resolve proposals for assignment and the change in status of the positions reserved to its own decision-making competence, after having heard the opinion of the Head of the Risk Control organisational unit for competence;
- carry out periodic checks on credit exposures and on compliance with the ratios defined by the supervisory authorities.

The Credit Committee usually meets on a weekly basis and in any case whenever necessary.
The Head of the Legal Department provides Secretariat services to the Committee, drafting the minutes of the meetings; approved on the spot, the minutes are signed by the Chairman and the Secretary and the relative documentation is handled within the Legal Department.
The Committee reports to the Board of Directors on its activities every six months.
The Committee adopts its resolutions by a majority of those present expressed by a show of hands. Any votes against or abstentions are mentioned in the minutes.
The members of the Committee are bound to the strictest confidentiality and professional secrecy in relation to the information they become aware of in the performance of their duties and act with the highest degree of diligence to prevent the disclosure of confidential information to the outside world.

Management Committee

With resolution of 15 December 2011, the Board of Directors established the Management Committee as a support body for the Managing Director and General Manager in defining asset management investment policies and strategies.
The Committee is made up of the Managing Director and General Manager (chairman), the Deputy General Manager, the Head of Sales, the Head of Investments and Institutional Relations, the Head of the Studies, Research and Investor Relations organisational unit, the assistant Sales Manager, the Representative of the Family office organisational unit, the Head of the Institutional Investors Organisational Unit, the Head of the Financial Advisory Organisational Unit, and by the Head of the Asset Management Organisational Unit.

Functions of the Committee

- formulating proposals, as part of investment policies, evaluating the maintenance and/or any changes to the composition of the managed portfolio;
- provide operational guidelines in relation to the practical implementation of the initiatives and finally agree on the respective interventions;
- provide indications, following the assessments made, relating to the action lines to be taken in terms of investment strategy;
- through collaboration with the Deputy General Management structures and in particular with the Wealth Management Organisational Unit, analyse the portfolio of managed customers, thus evaluating the performance and general strategies on investments implemented by the bank;
- monitor and evaluate current market trends, in order to formulate opinions and views on future trends;
- approve the model portfolios (Portfolios) prepared by the Investments and Institutional Relations Department.

Treasury Committee

Appointed by the Board of Directors, the Treasury Committee is a support body for the Managing Director and General Manager in relation to the Bank's assets investment policies and guidelines.

The Committee is made up of the Managing Director and General Manager (chairman), the Deputy General Manager, the assistant General Manager, the Head of the Credit Organisational Unit, the Head of Sales, the Head of Investments and Institutional Relations, the Head of the Treasury Organisational Unit, and the Head of the Risk Control Organisational Unit.

Functions of the Committee:

- define the investment strategies of the Bank's assets
- provide guidelines on the consequent asset allocation in line with the risk limits set by the Board of Directors;
- monitor the progress of treasury activities;
- analyse owned portfolios;
- monitor the Bank's liquidity trend and situation and provide information on the matter.

Risks and Internal Controls Committee

With resolution of 15 December 2011, the Board of Directors established the Credit Committee as a support body for the Managing Director and General Manager in the formulation of proposals relating to the identification, measurement, management and monitoring of the group risks and the RAF and in the analysis of risks and their level of supervision, ensured by the corporate control functions and operational processes.

The Committee is made up of the Managing Director and General Manager (chairman), the Deputy General Manager, the assistant General Manager, the Head of Operations, the Head of Administration and Control, the Head of the Internal Auditing Organisational Unit, the Head of the Risk Control Organisational Unit, the Head of the Anti-Money Laundering Organisational Unit, and the Head of the Compliance Organisational Unit.

Functions of the Committee

The Committee meets every three months to:

- analyse the exposure level of the group on a quarterly basis in relation to the various categories of risks, with the support of the organisational units responsible for their management and control;
- analyse and propose updates to the group's internal control system;
- support the Managing Director and General Manager in the analysis and evaluation of the recovery plan and in the evaluation of the updates to be made to the Plan;
- analyse and evaluate any exceedances of the defined thresholds of the recovery indicators and if the conditions are met for the proposed resolution of the opening of the state of crisis, support the Managing Director and General Manager in the consequent activities of competence on the matter;
- analyse the trend of company liquidity and its monitoring, assess any exceedances of the risk tolerance thresholds established by the Board of Directors and, in the event of activation of the Emergency Plan (CFP), support the Managing Director and General Manager in the consequent activities of competence in the matter.

Group Coordination and Management Committee

With resolution of 14 June 2021, the Board of Directors established the Group Coordination and Management Committee with the objective of assisting the Managing Director and General Manager in coordinating the business initiatives of the Bank and of the Group and in the steering and coordination of the investees.
The Committee is composed of the Managing Director and General Manager (chairman), the Honorary Chairman, the assistant General Manager, the Deputy General Manager, the Head of Sales, the Head of Operations, the Head of Administration and Control, the Managing Director of Investire SGR, the General Manager of Investire SGR, the Managing Director of Finnat Fiduciaria, the Chairman of Natam and the General Manager of Finnat Gestioni

Tasks:
• Analyse current and potential business initiatives and their consistency with corporate and Group strategies, formulating the possible initiatives to be implemented and the related evolutionary lines;
• Define the possible lines of development, with particular focus on "cross selling" among Group companies;
• Analyse and share the direction and coordination activities of the subsidiaries carried out by the various functions and structures of the parent company, any recommendations made and the related activities and initiatives underway by the subsidiaries themselves. Make any recommendations on the matter.

15. CHANGES SINCE THE END OF THE REFERENCE FINANCIAL YEAR

There have been no changes from the end of the financial year to the date of approval of this report.

16.0 CONSIDERATIONS ON THE LETTER OF 3 DECEMBER 2021 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

In the meeting of 16 December 2021, the Chairman of the Board of Directors submitted to the Board and to the Board of Statutory Auditors the letter of 3 December 2021 from the chairman of the Corporate Governance Committee, Ms. Lucia Calvosa, as well as the attached Annual Report - 9th Report on the application of the Corporate Governance Code relating to 2021, the Committee's 11th year of activity, and asked the competent Committees to carry out in-depth analyses and for their own assessments on the recommendations contained therein. In the subsequent meeting of 25 January 2022, the Board examined the recommendations of the Corporate Governance Committee and the considerations presented by the Board Committees.
The self-assessment for the year 2021 took these recommendations into account.

In this regard, the following considerations emerged from the Risks Committee, Remuneration Committee and Appointment Committee:

i. Reiterating the previous recommendations on the integration of sustainability in strategies, in the control system and in remuneration, which play a central role in the "sustainable success" objective of the new Code, it is recommended that companies include in their report on corporate governance adequate and concise information on the methods adopted for its pursuit and on the approach adopted in promoting dialogue with relevant stakeholders. *In this regard, it is recommended to provide summary information on the content of the policy for dialogue with all shareholders, without prejudice to the opportunity to publish it in full, or at least in its essential elements, on the company's website.*

Given that Banca Finnat, as part of its strategy aimed at providing its institutional and private customers with an ever-increasing range of advanced financial services and instruments, specialises in the following sectors: private banking; investment banking; advisory and corporate finance; fiduciary services; real estate fund management.
Banca Finnat is a company listed on the STAR segment of the Italian Stock Exchange, whose majority shares are held by the same family group, dedicates particular attention to investor relations to manage relations with shareholders and the financial community (institutional investors, managers, analysts) in a transparent manner; for this purpose, it organises periodic meetings with the financial community, of which it provides adequate information on its website, in the dedicated section.
In the Investor Relations section of the Bank's website (www.bancafinnat.it), both accounting and financial information are made available (financial statements, half-yearly and quarterly reports, trends in the market value of financial instruments issued by the Bank and traded on regulated markets), and information of interest to all shareholders (composition of corporate bodies, group structure, etc.), as well as press releases, documents published on occasion of periodic meetings with the financial community, illustration of extraordinary transactions and other relevant and price sensitive information.

ii. *In this regard, it is recommended to evaluate the classification of the company with respect to the categories of the Code and the simplification options that can be used for "non-large" and/or "concentrated" companies, as well as to adequately indicate the choices made*.

For the purposes of this recommendation and the definition contained in the Corporate Governance Code, Banca Finnat does not fall within the "large company" criterion as it does not have a capitalisation exceeding 1 billion euros on the last open market day of each of the three previous calendar years, nor in the criterion of "companies with concentrated ownership" as there are no shareholders' agreements in place.

Banca Finnat is classified as a Small Medium Enterprise (SME) as a company with a *market capitalisation of less than 500 million euros* and is included in the list published on the Consob website (http://www.consob.it/web/ area-pubblica/emittenti-quotati-pmi).

iii. *With respect to the composition of the management body, the Code has made some choices aimed at strengthening the quality of the* ***independence assessment*** *and allowing the possibility of also qualifying the* ***Chairman of the Board of Directors as an independent director****. In this regard,* ***it is recommended that the criteria used to assess the significance of professional, commercial or financial relationships and of additional remuneration are provided in corporate governance report, also with reference to the Chairman of the Board of Directors, if the latter has been assessed as independent pursuant to the Code.***

    In this regard, the Chairman recalled that the Board of Directors is currently made up of 10 Directors, of which three qualified as Independent pursuant to the verification carried out on 25 May 2021 by the Board of Directors; in the current composition the Chairman of the Board of Directors does not meet the requisite of Independence. The Board of Directors has recently updated its Regulations indicating in it, in paragraph 7, the criteria for assessing the significance of commercial relations.

iv. *While noting the improvement of some aspects of the* ***pre-meeting information*** *management, the Committee* ***invites the Boards of Directors to ensure the preparation of the board and committees regulations, paying particular attention to the explicit determination of the terms deemed appropriate for sending the documentation*** *and the exclusion of generic confidentiality requirements as possible exemptions from compliance with these terms. In drafting the corporate governance report, companies should also provide adequate illustration of the actual compliance with the notice period previously defined and, where in exceptional cases it has not been possible to comply with this deadline, explain the reasons for this and illustrate how adequate information has been provided at the council meeting*.

The Chairman of the Committee recalled that in the session of 16 December the Board of Directors approved its own Regulations and the Regulations presented by each of the internal board Committees.
The regulation of the Board of Directors, among other things, identifies the methods and terms for making available the pre-board meeting information, which is usually made available well in advance of the date scheduled for the meeting (see section 4.4).
The internal regulations of the individual board Committees all provide that at the end of each meeting a summary note on the activities carried out is drawn up and sent to the Board of Directors in order to timely advise them of the issues dealt with and arisen at each meeting.

v. *In reiterating the advisability of improving adherence to the principles and recommendations of the Code regarding the **appointment** and **succession of directors**, which remain among the main areas for improvement of the governance of listed companies, **non-concentrated ownership companies are invited to adequately examine the recommendations addressed to them with respect to the renewal of the Board of Directors. In this regard, it is recalled that for these companies the Code not only recommends the outgoing Board of Directors to express, in view of its renewal, guidelines for its optimal composition, taking into account the results of the self-assessment, but also lists this responsibility in subsequent phase of the presentation of lists by the outgoing board and/or the shareholders. In particular, the boards of directors of "non-concentrated" companies are invited to ask whoever submits a list that contains a number of candidates greater than half of the members to be elected to provide adequate information (in the documentation submitted for filing the list) about the compliance of the list itself with the guidelines expressed by the outgoing board and to indicate its own candidate for the office of Chairman.***

The Bank's Board of Directors was appointed at the shareholders' meeting of 29 April 2021 and is therefore at the beginning of its three-year term which will expire with the approval of the Financial Statements at 31 December 2023. Therefore, on the occasion of the three-year renewal, the Appointments Committee will draw up its own Guidelines, taking into account what is indicated above by the Corporate Governance Committee.

vi. *With regard to **gender equality**, please note that the new Code expressly recommends all listed companies adhering to it to adopt measures to promote equal treatment and opportunities between genders within the entire company organisation, monitoring their practical implementation. In this regard, **while observing a growing attention on these issues, the Committee invites companies to provide adequate information in the report on corporate governance about the practical identification and application of such measures***.

The Chairman reminds the Committee that the Bank's Articles of Association provide in art. 13 that the appointment of the Board of Directors takes place through the presentation of lists formulated in such a way as to ensure equal access and the presence of the less represented gender among the relative members. In particular, the 2020 Budget Law provided for a different quota reserved to the least represented gender equal of "at least two fifths" and established that this distribution criterion is applied for "six consecutive terms". The current composition of the Board as appointed by the Shareholders' Meeting of 29 April 2021 complies with these provisions.

vii. *With respect to remuneration policies, in addition to reiterating the desirability of an improvement in the policies in defining clear and measurable rules for the payment of the variable component and any severance indemnities, the Committee recommends to adequately consider the consistency of the parameters identified for the variable remuneration with the strategic objectives of the business activity and the pursuit of sustainable success, evaluating, if necessary, the forecast of non-financial parameters. With particular reference to the remuneration parameters linked to the achievement of environmental and social objectives, the Committee recommends that companies ensure that these parameters are predetermined and measurable.*

Having examined the Recommendation, the Remuneration Committee stresses that, in compliance with national and international regulatory guidelines, the remuneration policies and practices within the Group are oriented towards sustainability and to attention not to favour conducts or behaviours that are misaligned with the propensity to risk identified and selected by the Bank.
In particular, it is reminded that, substantially in line with the provisions of last year, the Group's remuneration policies:

a. do not provide for an indemnity for termination of office.
b. The weight of the variable remuneration linked to performance cannot exceed 100% of the gross salary of the individual beneficiary and historically the variable component has averaged around 20% of gross salary;
c. the variable component of the remuneration is linked to performance as part of it may be deferred; the performance objectives are assigned annually and the bonus pool is linked to the actual results of the annual financial statements and to specific financial capital ratios; remuneration policies and practices are coordinated with the rest of the banking group in compliance with the individual applicable regulations;
d. having regard to the remuneration of non-executive directors and members of the supervisory body, these are recipients exclusively of a fixed remuneration adequate for the office held and do not participate in the incentive system.

With regard to the remuneration parameters linked to the achievement of environmental and social objectives, currently no remuneration linked to the achievement of environmental or social objectives is envisaged.
These issues will be addressed as part of the broader Sustainability Reporting project relating to non-financial information (relating to environmental, social and governance aspects) that the bank will be required to prepare starting from 2023.

The considerations set out here were reported by the Chairmen of each Committee at the meeting of the Board of Directors on 25 January 2022.

*****

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE AT 31 DECEMBER 2021

SHARE CAPITAL STRUCTURE at 31 December 2021				
	No. of shares	No. of voting rights	Listed/Unlisted	Rights and obligations
Ordinary shares	362,880,000	100%	STAR	N.A

OTHER FINANCIAL INSTRUMENTS (which give the right to subscribe to newly issued shares)				
	Listed/Unlisted	No. of instruments in circulation	Share categories for conversion/exercise	No. of shares for conversion/exercise
Convertible bonds	N.A.	N.A.	N.A.	N.A.
Warrants	N.A.	N.A.	N.A.	N.A.

SIGNIFICANT EQUITY INVESTMENTS IN THE SHARE CAPITAL at 31 December 2021			
Declarant	Direct shareholder	% shareholding of ordinary capital	% shareholding of voting capital
Celeste Buitoni	Celeste Buitoni	-	7.4863%
Arturo Nattino	Arturo Nattino	21.675%	21.675%
Andrea Nattino	Andrea Nattino	16.8881%	10.8537%
Giulia Nattino	Giulia Nattino	12.00%	12.00%
Paola Nattino	Paola Nattino	12.00%	12.00%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2021

Board of Directors													
Office	**Members**	**Year of birth**	**Date of first appointment (*)**	**In office since**	**In office until**	**List (presenters) (**)**	**List (M/m) (***)**	**Exec.**	**Non-exec.**	**Indep. Code**	**Indep. Consolidated Financial Law**	**No. other offices (****)**	**Equity investments (*****)**
Honorary Chairman	Giampietro Nattino	1935	21/06/2003	30/04/2021	Appr. Fin. Stat. 2021	Shareholders	M	X				0	12/13
Chairman	Marco Tofanelli	1962	15/12/2011	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X			1	13/13
Deputy Chairman	Lupo Rattazzi	1953	28/10/2008	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X			2	13/13
Managing Director and General Manager	Arturo Nattino	1964	14/05/2009	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M	X				0	13/13
Administrator	Maria Teresa Bianchi	1969	30/04/2021	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X	X	X	1	13/13
Administrator	Vincenzo Marini Marini	1963	30/04/2021	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X	X	X	1	13/13
Administrator	Paola Pierri	1960	30/04/2021	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X	X	X	0	11/13
Administrator	Roberto Cusmai	1943	26/04/2012	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X			0	13/13
Administrator	Giulia Nattino	1974	24/04/2013	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X			0	13/13
Administrator	Maria Sole Nattino	1976	28/04/2015	30/04/2021	Appr. Fin. Stat. 2023	Shareholders	M		X			0	13/13
DIRECTORS REVOKED DURING THE YEAR													
Chairman	Flavia Mazzarella	1958	10/02/2016	27/04/2018	Appr. Fin. Stat. 2020	Shareholders	M		X	X	X	1	8/8
Honorary Chairman	Carlo Carlevaris	1931	21/06/2003	27/04/2018	Appr. Fin. Stat. 2020	Shareholders	M		X			0	0/8
Deputy Chairman	Leonardo Buonvino	1937	28/04/2006	27/04/2018	Appr. Fin. Stat. 2020	Shareholders	M	X				0	7/8
Administrator	Andreina Scognamiglio	1959	28/04/2015	27/04/2018	Appr. Fin. Stat. 2020	Shareholders	M		X	X	X	0	8/8
Administrator	Ermanno Boffa	1966	29/04/2009	27/04/2018	19/05/2021	Shareholders	M		X			1	8/8

Indicate the number of meetings held during the Financial Year: 21
Indicate the quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to Article 147-ter of the Consolidated Financial Law): 2.5%
NOTES
The symbols indicated below must be inserted in the "Office" column:
• This symbol indicates the director in charge of the internal control and risk management system.
○ This symbol indicates the Lead Independent Director (LID).
(*) The date of first appointment of each director means the date on which the director was appointed for the first time (ever) on the Board of Directors of the Issuer.
(**) This column indicates whether the list from which each director was drawn was presented by shareholders (indicating "Shareholders") or by the BoD (indicating "BoD").
(***) This column indicates whether the list from which each director was drawn was a "majority" (indicating "M"), or "minority" (indicating "m") list.
(****) This column indicates the number of directorships or positions as statutory auditor held by the interested party in other listed or large companies. Offices are indicated in full in the Corporate Governance Report.
(*****) This column indicates the attendance by directors in the meetings of the BoD (indicate the number of meetings they attended compared to the total number of meetings they could have attended; e.g. 6/8; 8/8 etc.).
N.B.
Mr. Tofanelli was first appointed within Banca Finnat on 15 December 2011 until his resignation on 20 November 2015. He was subsequently re-appointed by co-option on 10 March 2017, and confirmed by the shareholders' meeting on 27 April 2017.
Mr. Giampietro Nattino was first appointed to Banca Finnat on 21 June 2003 until his resignation on 10 March 2017. Subsequently, he was again appointed as Director by co-option on 14 June 2021.

TABLE 3: STRUCTURE OF THE BOARD COMMITTEES AT 31 DECEMBER 2021

BoD		Related Parties Committee		Control and Risks Committee		Remuneration Committee		Appointment Committee	
Office	**Members**	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Non-executive independent director pursuant to the Consolidated Financial Law and the Code	Maria Teresa Bianchi	5/5	M			6/6	P	7/7	P
Non-executive independent director pursuant to the Consolidated Financial Law and the Code	Vincenzo Marini Marini	5/5	P	10/10	M	6/6	M		
Non-executive independent director pursuant to the Consolidated Financial Law and the Code	Paola Pierri	3/5	M	8/10	P			7/7	M
Non-executive non-independent Deputy Chairman of the BoD	Lupo Rattazzi							5/7	M
Non-executive non-independent director	Roberto Cusmai			10/10	M	5/6	M		
DIRECTORS REVOKED DURING THE YEAR									
Non-executive independent director pursuant to the Consolidated Financial Law and the Code	Marco Tofanelli			5/5	P			5/5	M
Non-executive independent director pursuant to the Consolidated Financial Law and the Code	Andreina Scognamiglio					4/4	M	5/5	P
Non-executive independent director pursuant to the Consolidated Financial Law and the Code	Roberto Cusmai	N.A.		5/5	M	4/4	P		
Non-executive director independent pursuant to the Consolidated Financial Law and (not) to the Code	Ermanno Boffa			5/5	M	4/4	M		
Non-executive non-independent director	Lupo Rattazzi							5/5	M
No. of meetings held during the year:				15		10		12	

NOTES
(*) This column indicates attendance of directors in the meetings of the committees (indicate the number of meetings they attended compared to the total number of meetings they could have attended; e.g. 6/8; 8/8 etc.).

(**) This column indicates the position of the director within the committee: "P": chairman; "M": member.

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TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT 31 DECEMBER 2021

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment (*)	In office from	In office until	List (M/m) (**)	Indep. Code	Attendance to Board meetings (***)	No. other offices (****)
Chairman	Salvatore Ferri	1973	30/04/2021	30/04/2021	Appr. Fin. Stat. 2023	M	X	10/10	0
Permanent Auditor	Laura Bellicini	1964	30/04/2021	30/04/2021	Appr. Fin. Stat. 2023	M	X	10/10	1
Permanent Auditor	Barbara Fasoli	1969	28/04/2015	30/04/2021	Appr. Fin. Stat. 2023	M	X	20/20	0
Alternate Auditor	Monica Petrella	1970	30/04/2021	30/04/2021	Appr. Fin. Stat. 2023	M	X	N.A.	2
Alternate Auditor	Nicola Pironti di Campagna	1967	30/04/2021	30/04/2021	Appr. Fin. Stat. 2023	M	X	N.A.	0
STATUTORY AUDITORS TERMINATED DURING THE YEAR									
Chairman	Alberto De Nigro	1958	26/04/2012	27/04/2018	Appr. Fin. Stat. 2020	M	X	9/10	3
Permanent Auditor	Francesco Minnetti	1964	21/06/2003	27/04/2018	Appr. Fin. Stat. 2020	M	X	8/10	3
Alternate Auditor	Laura Bellicini	1964	28/04/2015	27/04/2018	Appr. Fin. Stat. 2020	M	X	N.A.	1
Alternate Auditor	Antonio Staffa	1943	28/04/2015	27/04/2018	Appr. Fin. Stat. 2020	M	X	N.A.	3

Indicate the number of meetings held during the Financial Year: 20

Indicate the quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to Article 148 of the Consolidated Financial Law): 2%

NOTES

(*) The date of first appointment of each auditor means the date on which the auditor was appointed for the first time (ever) on the Issuer's Board of Statutory Auditors.

(**) This column indicates whether the list from which each auditor was drawn was a "majority" (indicating "M"), or "minority" (indicating "m") list.

(***) This column indicates the attendance by auditors in the meetings of the Board of Statutory Auditors (indicate the number of meetings they attended compared to the total number of meetings they could have attended; e.g. 6/8; 8/8 etc.).

(****) This column indicates the number of offices as director or auditor held by the person concerned pursuant to art. 148-bis Consolidated Financial Law and the related implementation provisions contained in the Consob Issuers' Regulation. The list c

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 OF BANCA FINNAT GROUP

DIRECTORS' REPORT ON THE GROUP OPERATIONS

Dear Shareholders,

The consolidated financial statements closed on 31 December 2021 show a net profit of 6,130 thousand euros, 1,039 thousand euros higher than the previous year which was equal to 5,091 thousand euros.

From the analysis of the result for the year in question, there was a significant increase in net fee and commission income of 11%, while the net interest income decreased significantly due mainly to the decrease in the contribution deriving from repurchase agreement transactions on the Bank's own portfolio.

As regards the Covid-19 emergency, the impacts of the pandemic on business activities are illustrated in the paragraph "The most significant transactions and events of the year" of the Report on Operations of the separate financial statements.

The main items that contributed to forming the results are shown below, compared those of the previous year:

The **total income** is equal to 67,524 thousand euros compared to 68,190 thousand euros in the previous year. The overall decrease of 666 thousand euros consists of the following:

Increases

- 5,452 thousand euros for net fee and commission income (54,896 thousand euros at 31 December 2021 compared to 49,444 thousand euros in the previous year);
- 1,774 thousand euros in Net trading expense. The item at 31 December 2021 shows a positive balance of 1,521 thousand euros against a negative balance of 253 thousand euros in 2020;
- 416 thousand euros for Income on other financial assets mandatorily measured at fair value (loss of 17 thousand euros at 31 December 2021 compared to a loss of 399 thousand euros in 2020).

Decreases

- 5,969 thousand euros for net interest income (10,189 thousand euros at 31 December 2021 compared to 16,158 thousand euros in 2020);
- 1,070 thousand euros for Dividends and similar income (722 thousand euros at 31 December 2021 compared to 1,792 thousand euros in 2020);
- 1,269 thousand euros in Net gains from disposal of financial assets at amortised cost and financial assets at fair value through other comprehensive income (gains of 179 thousand euros at 31 December 2021 compared to similar gains of 1,448 thousand euros in 2020);

Net impairment losses for credit risk (+/-). The item showed net **impairment losses** totalling 1,057 thousand euros relating to impairment losses on Financial asset at amortised cost (1,034 thousand euros) and of Financial assets at fair value through other comprehensive income (23 thousand euros).

On the other hand, net impairment losses were recorded on Financial assets at amortised cost of 5,561 thousand euros and value recoveries on Financial assets at fair value through other comprehensive income for 399 thousand euros.

Compared to the previous year, the item shows a decrease of 4,105 thousand euros, mainly attributable to lower analytical adjustments made by the Bank on non-performing positions while maintaining the coverage rate of non-performing loans unchanged.

Administrative expenses amounted to 55,947 thousand euros and are 3,757 thousand euros higher than the previous year (52,190 thousand euros) and are made up as follows:

- personnel expenses, equal to 38,061 thousand euros, are 2,036 thousand euros higher than the previous year (36,025 thousand euros). The increase mainly regards the Bank for 657 thousand euros, also due to the effect of high profile insertions in the Bank's staff (which occurred at the end of last year) and the subsidiary InvestiRE SGR S.p.A. for 1,359 thousand euros mainly due to the effect of the provision of variable costs foreseen by the incentive system;

- other administrative expenses of 17,886 thousand euros increased by 1,721 thousand euros compared to the same period of the previous year (16,165 thousand euros). Other administrative expenses include recoveries from customers of some costs allocated under Other operating income, net. Net of those recoveries, other administrative expenses amounted to 12,610 thousand euros and increased by 842 thousand euros compared to the previous year (11,768 thousand euros).

Net adjustments/write-backs on property, equipment and investment property. The item presents impairment losses equal to 3,413 thousand euros (3,423 thousand euros in 2020) and includes the amortisation quotas of the right of use of assets acquired under leasing for 3,038 thousand euros (3,024 thousand euros in 2020).

Other net operating income showed a positive balance of 5,447 thousand euros compared to 4,990 thousand euros in 2020. Income comprises recoveries of costs from customers, amounting to 5,503 thousand euros, of which 5,276 thousand euros referring to other administrative expenses (4,636 thousand euros in 2020, of which 4,397 thousand euros referring to other administrative expenses). The item also includes net charges of 647 thousand euros, pertaining to the Bank, due to settlement agreements (also linked to the acquisition of new customers) and administrative penalties.

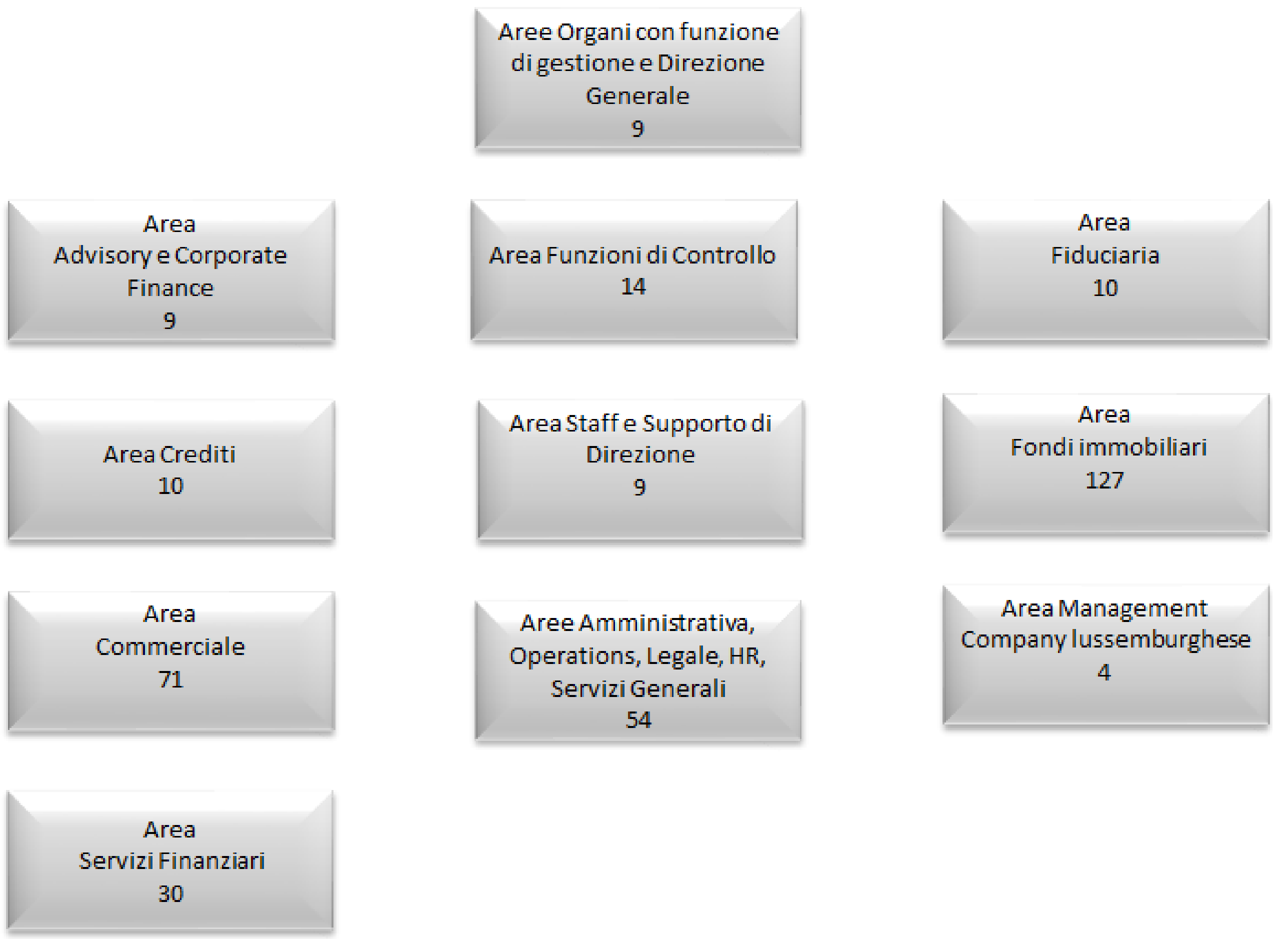
Income taxes amount to 3,508 thousand euros (tax rate 28.9%) against 3,787 euros of the previous year (tax rate 32.75%).

* * *

The change in "Valuation reserves" together with the result for the year are shown in the Statement of Comprehensive Income.

Structure of Banca Finnat Euramerica and Group companies

The allocation of human resources within the activities carried out by the Bank and the Group subsidiaries can be represented as follows:

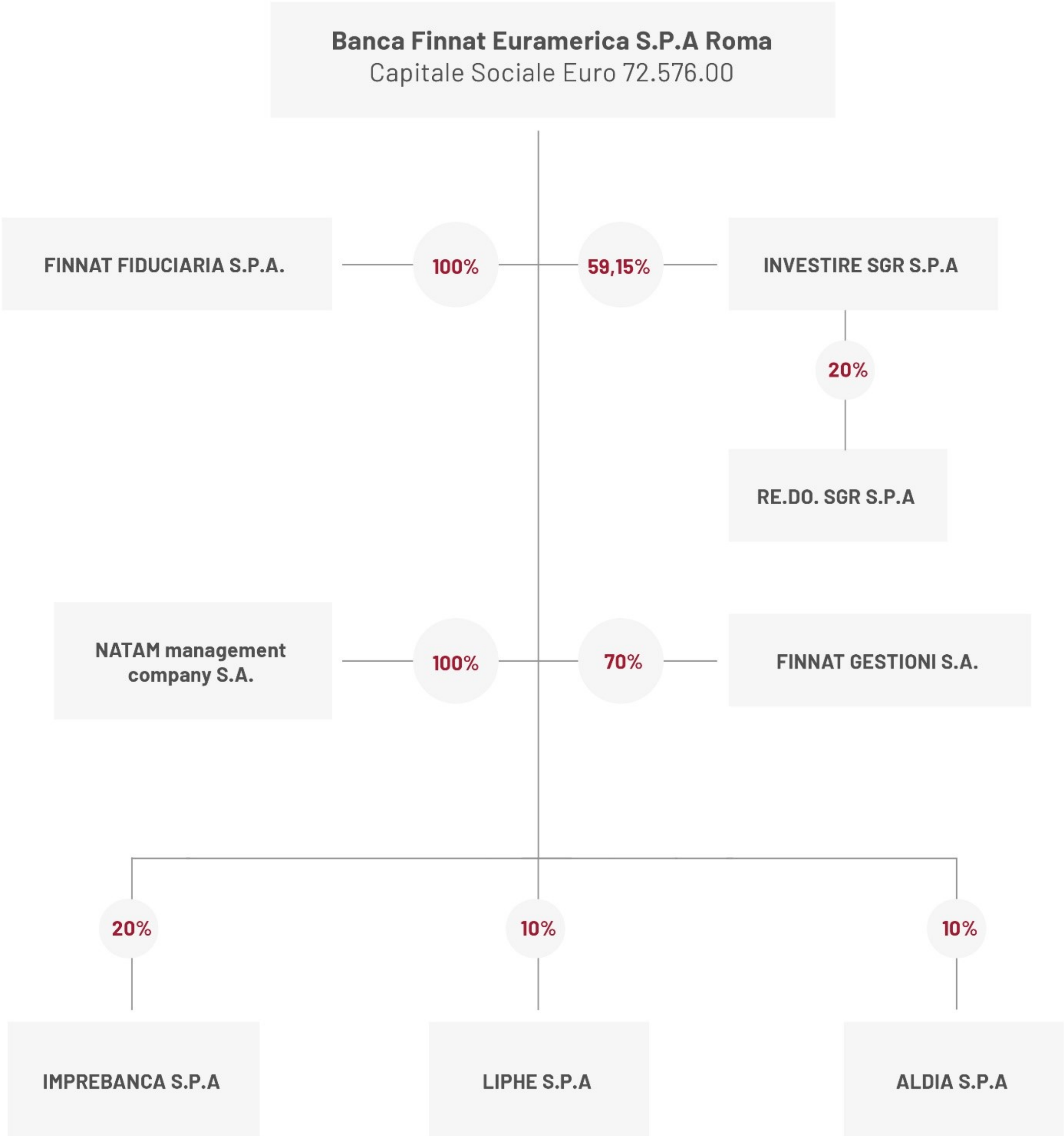


Compared to 31 December 2020, the Group's workforce has changed as detailed below:

	31.12.2021	31.12.2020
Employees	334	339
- executives	58	56
- middle managers	150	144
- office workers	126	139
Contractors	9	9
Financial advisor agents	4	5
Total	347	353

Group companies

At 31 December 2021 the Group is structured as follows:



Compared to 31 December 2020, the structure of the Group has changed following the purchase and sale operation carried out by the Bank which increased its stake in InvestiRE SGR S.p.A. and the conclusion of the voluntary liquidation of PREVIRA INVEST S.p.A. In addition to the equity investments reported above, from July 2021, the Bank also carries out a line-by-line consolidation of the BFE Revalue Fund, a wholly-owned structured entity.

Changes in the Group's deposits
(in thousands of euro)

	December 2018	December 2019	December 2020	December 2021
Direct deposits from customers of the parent company	677,119	802,644	663,025	862,508
- Due to customers (current accounts)	439,262	565,790	478,268	649,618
- Time deposits	209,607	211,941	184,757	212,890
- Securities issued	28,250	24,913	-	-
Indirect deposits of the parent company	6,152,748	6,441,594	5,528,219	7,629,116
- Individual management	480,921	484,820	516,798	696,647
- Delegated management	278,565	279,479	256,551	316,372
- Deposits under administration (UCIs and securities)	4,544,537	4,539,880	3,524,466	5,202,756
- Deposits under administration under advice (UCIs and securities)	695,044	859,826	921,118	1,045,216
- Third party insurance products	153,681	277,589	309,286	368,125
Trusteeship	1,629,864	1,881,194	1,844,502	1,878,158
Real Estate Fund Management (*)	7,321,884	7,078,247	6,643,328	6,976,727
Luxembourg-based Sicav fund administration	662,936	770,279	767,470	763,865
Total deposits	16,444,551	16,973,958	15,446,544	18,110,374

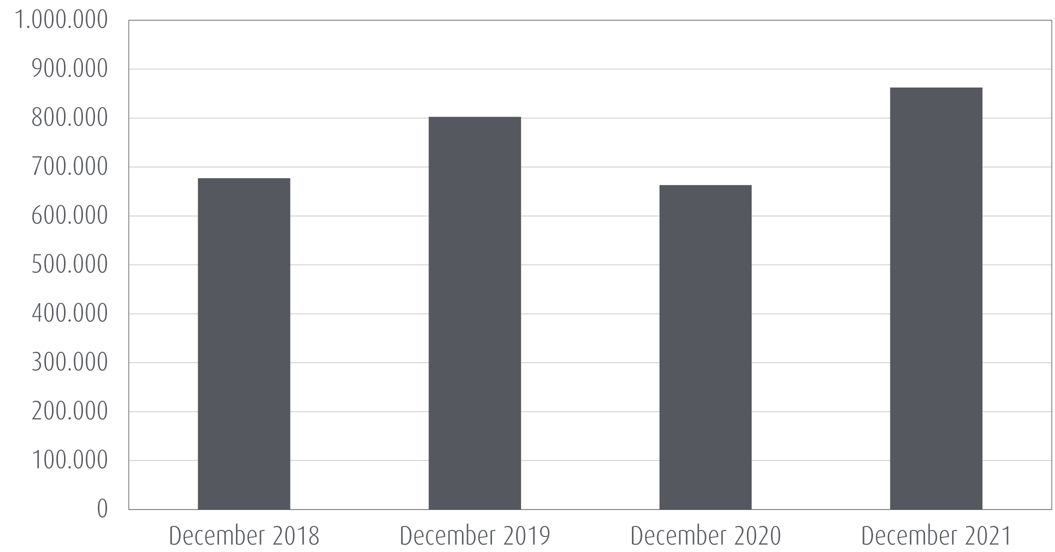
(*) The data from December 2018 included the assets of the FIL 1 and FIL 2 funds for a total of 426,894 thousand euros, transferred in 2019 to REDO SGR S.p.A. following the transfer of the business unit by InvestiRE SGR S.p.A.

Total assets amounted to 18.1 billion euros, an increase of 17% compared to the end of last year. This increase is attributable in particular to the increase in the Bank's indirect deposits, equal to 38%, due in equal measure to both the entry of new assets and the growth of the markets at a global level.

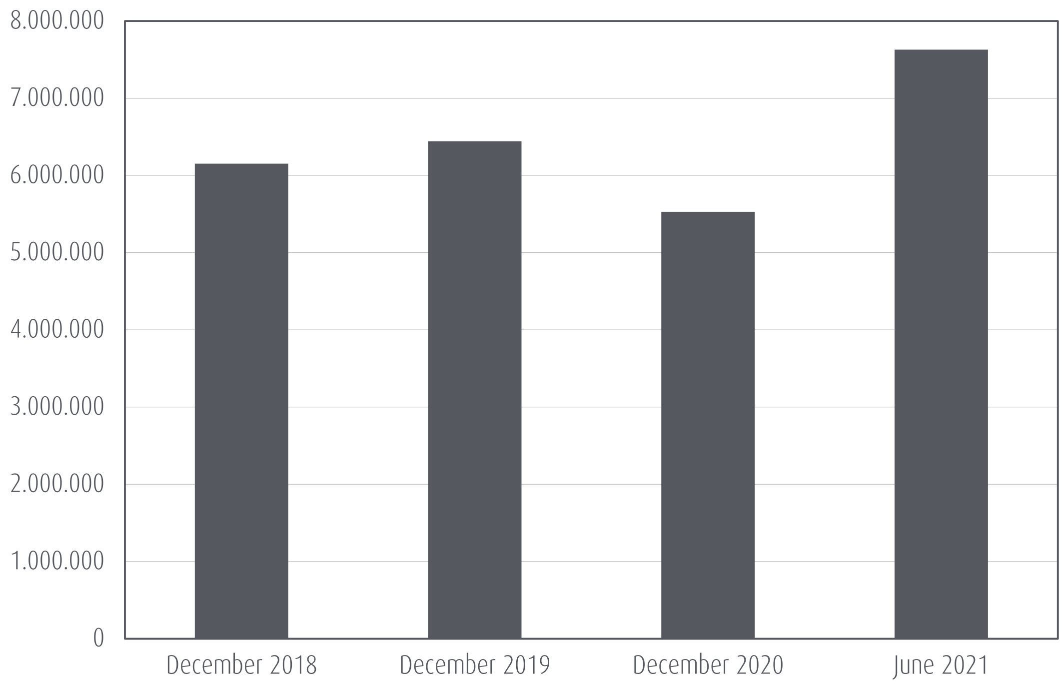
The above table shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refer to the Bank's operations and do not include repurchase agreements having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship deposits include the deposits of Finnat Gestioni S.A.; and c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV).

All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted, with the exception of “Luxembourg-based Sicav administration”, which does not include the delegated management already included in the indirect deposits of the Parent Company.

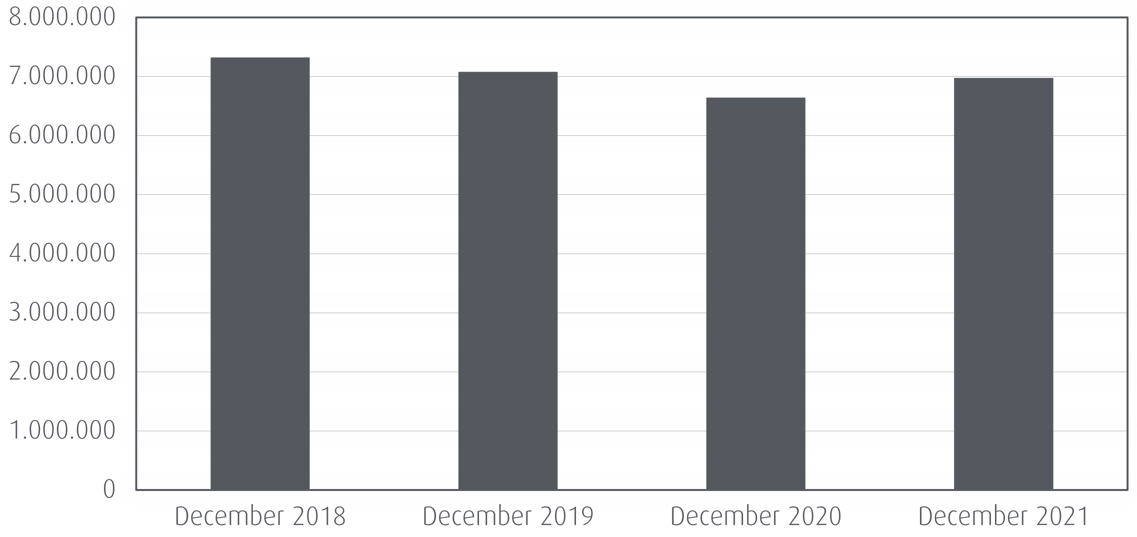
Direct deposits from customers



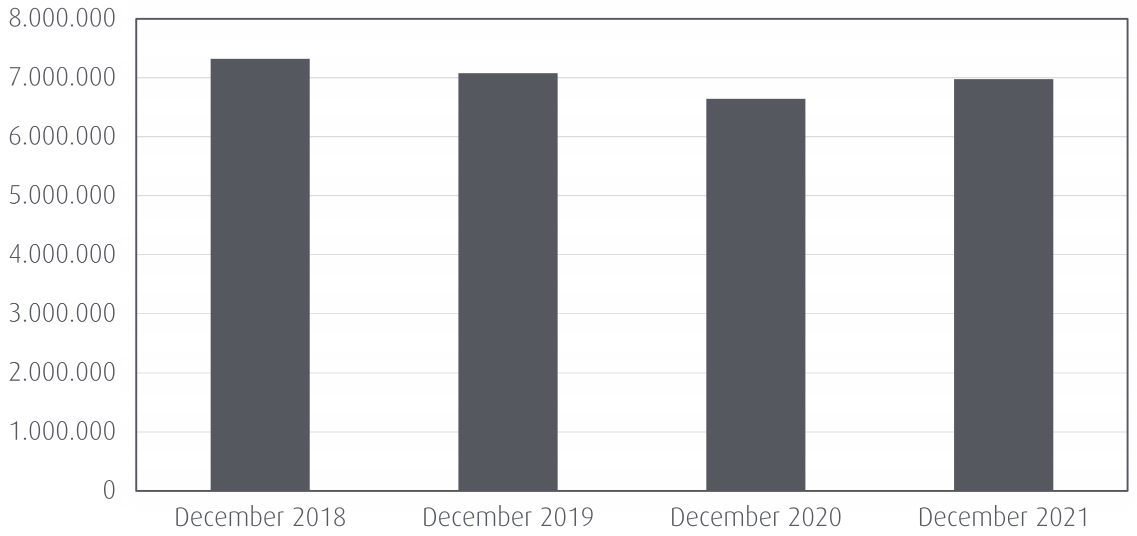
Indirect deposits



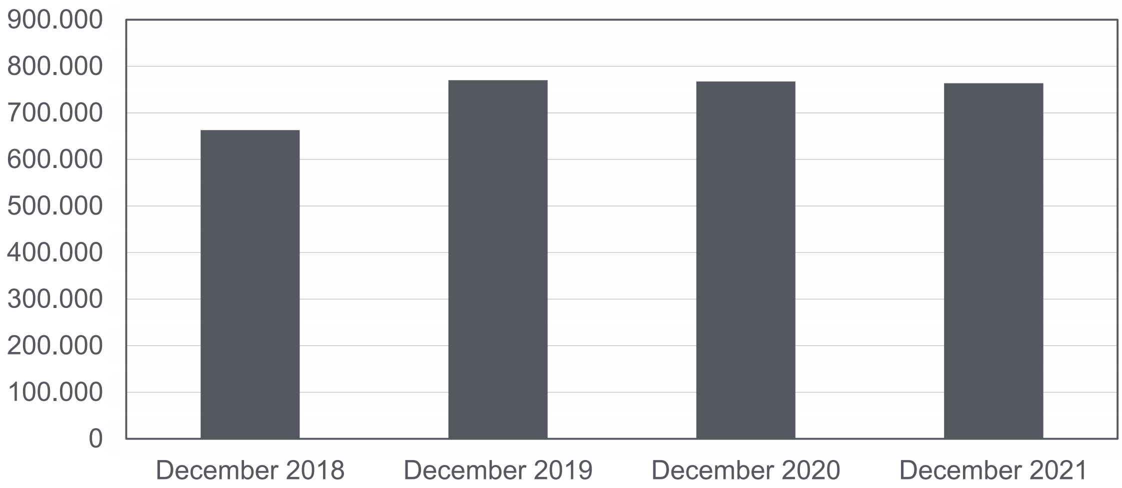
Real Estate Funds



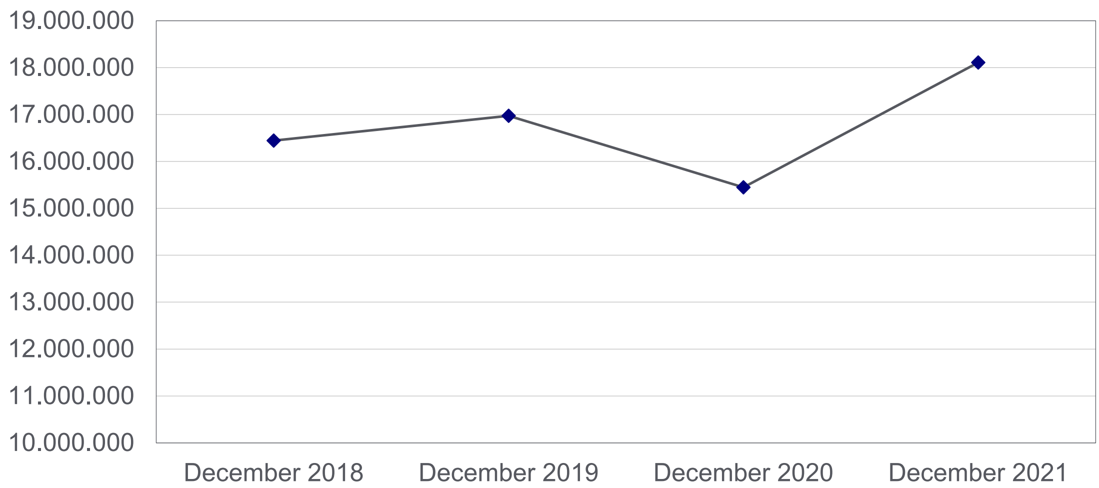
Real Estate Funds



Luxembourg-based Sicav fund administration



Total Group's deposits



Group management activities

For comments on the performance of the management of investee companies, please refer to what has already been illustrated in the Report on Operations of the separate financial statements of Banca Finnat Euramerica S.p.A. which is included in this document.
In application of Consob communication no. 98084143 of 27 October 1998, it should be noted that the group carries out its activities mainly in the Italian territory and in any case does not operate in any of the geographical areas considered at risk.
Transactions involving securities and equity investments are reported and analysed in detail in the Notes to the Financial Statements.

Most significant transactions and events of the year

As regards the most significant transactions and events in the 2021 financial year, reference should be made to what has already been illustrated in the Report on Operations of the separate financial statements of Banca Finnat Euramerica S.p.A. which is included in this document.
In the Notes to the Financial Statements (Part A - Accounting Policies, Section 5-. Other aspects) provide information on the effects that the Covid-19 epidemic has produced on risk management strategies, objectives and policies, as well as on the economic and financial situation of the Group in compliance with the communication of the Bank of Italy of 21 December 2021.

Comparison of the main consolidated statement of financial position and income statement data for the years 2021 and 2020

We present below, in summary form, the main financial statement data at 31 December 2021 compared with the corresponding data for the 2020 financial year.

The tables reflect the minimum mandatory layout provided for in Circular no. 262/2005 issued by the Bank of Italy (update 7).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (thousands of euro)

	31.12.2021	31.12.2020	Absolute change
ASSETS			
Cash and cash equivalents	115,367	72,655	42,712
Financial assets at fair value through profit or loss:	35,459	27,867	7,592
a) financial assets held for trading	9,327	6,847	2,480
c) other financial assets mandatorily measured at fair value	26,132	21,020	5,112
Financial assets at fair value through other comprehensive income	345,869	341,825	4,044
Financial assets at amortised cost	1,339,422	1,306,394	33,028
a) loans and receivables with banks	54,372	52,619	1,753
b) loans and receivables with customers	1,285,050	1,253,775	31,275
Equity investments	10,385	10,694	(309)
Property, equipment and investment property	19,896	17,899	1,997
Intangible assets	31,089	31,170	(81)
Tax assets	9,993	10,319	(326)
Other assets	38,408	23,310	15,098
TOTAL ASSETS	1,945,888	1,842,133	103,755
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost	1,651,310	1,552,963	98,347
a) due to banks	394	157	237
b) due to customers	1,650,916	1,552,806	98,110
Financial liabilities held for trading	2,065	40	2,025
Tax liabilities	2,490	1,706	784
Other liabilities	23,375	18,804	4,571
Post-employment benefits	5,752	5,605	147
Provisions for risks and charges	124	313	(189)
a) commitments and guarantees given	55	246	(191)
c) other provisions for risks and charges	69	67	2
Non-controlling interests	33,572	40,438	(6,866)
Equity attributable to the owners of the parent	227,200	222,264	4,936
TOTAL LIABILITIES AND EQUITY	1,945,888	1,842,133	103,755

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INCOME STATEMENT
(in thousands of euro)

	Financial year 2021	Financial year 2020	Change	
			Absolute	Percentage
Net interest income	10,189	16,158	(5,969)	-37%
Net fee and commission income	54,896	49,444	5,452	11%
Dividends and similar income	722	1,792	(1,070)	
Net trading expense	1,521	(253)	1,774	
Net gain from disposal or repurchase of:	179	1,448	(1,269)	
a) financial assets at amortised cost	155	278	(123)	
b) financial assets at fair value through other comprehensive income	24	1,170	(1,146)	
Net losses on other financial assets and liabilities at fair value through profit or loss:	17	(399)	416	
b) other financial assets mandatorily measured at fair value	17	(399)	416	
Total income	67,524	68,190	(666)	-1%
Net impairment losses for credit risk associated with:	(1,057)	(5,162)	4,105	
a) financial assets at amortised cost	(1,034)	(5,561)	4,527	
b) financial assets at fair value through other comprehensive income	(23)	399	(422)	
Net modification gains (losses)	(157)	(185)	28	
Net financial income	66,310	62,843	3,467	6%
Personnel expenses	(38,061)	(36,025)	(2,036)	
Other administrative expenses	(17,886)	(16,165)	(1,721)	
Net reversals of (accruals to) provisions for risks and charges	190	(211)	401	
Depreciation and net impairment losses on property, equipment and investment property/Amortisation and net impairment losses on intangible assets	(3,618)	(3,668)	50	
Other operating income, net	5,447	4,990	457	
Operating costs	(53,928)	(51,079)	(2,849)	6%
Net loss on equity investments	(242)	(199)	(43)	-22%
Profit (loss) from continuing operations before taxes	12,140	11,565	575	5%
Income taxes	(3,508)	(3,787)	279	
Profit from continuing operations after taxes	8,632	7,778	854	11%
Profit attributable to non-controlling interests	2,502	2,687	(185)	
Profit for the year attributable to the owner of the parent	6,130	5,091	1,039	20%

A series of the Group's operating ratios at 31 December 2021 are shown below compared with the operating ratios of the previous year.

	2021 (%)	**2020 (%)**
Net interest income/Total income	15.09	23.70
Net fee and commission income/Total income	81.30	72.51
Cost/income ratio (Operating costs/Total income)	79.86	74.91
ROE (profit for the year/equity)	2.70	2.29
ROA (profit for the year/total assets)	0.32	0.28

Significant events occurring after the end of the year

In the period between the end of the 2021 financial year and the date of preparation of these Financial Statements, no significant events or facts emerged that would entail the adjustment of the economic, equity and financial situation of the Bank.
However, it should be noted that on 11 February 2022 the Mr Carlo Carlevaris, for many years Chairman of the Bank's Board of Directors, passed away. The whole Banca Finnat Euramerica Group remembers with deep emotion his qualities of great professionalism and humanity.

Covid-19
Since the beginning of 2022 there has been a general worsening of the epidemiological situation in the country due to the wide spread of the new Omicron variant which recorded several times, during the month of January throughout the national territory, peaks of positive Covid-19 tests exceeding 200,000 units per day and a number of deaths exceeding 400 units.
Especially in consideration of the speed of the epidemic, on 7 January 2022 the Government issued Italian Decree Law no. 1 for the adoption of further measures for the prevention and containment of Covid-19 in order to limit the increasing trend of the contagion curve and to implement protection measures for the most exposed categories. In particular, starting from 15 February and until 15 June 2022, the decree provides for the vaccination obligation for all workers in the public and private sectors aged 50. In this regard it should be noted that the reinforced Green Pass, whose verification is the responsibility of employers, constitutes an essential requirement for carrying out working activities. The decree also provides for the extension of the basic Green Pass to access:
- personal services (barbers, hairdressers and beauticians) starting from 20 January 2022;
- public offices, postal, banking and financial services and commercial activities not of primary necessity, starting from 1 February 2022.

Within its competence, the Bank and the other Group companies promptly respected and applied the provisions of the new government measures described above; the Bank also updated and integrated the circular issued on 13 October 2021 which defines the methods for checking possession of the Green Pass to access workplaces and, together with the other companies of the Group, it has strengthened the health facilities already in place, and also increased the number of smart working workers.
The Bank's Coronavirus Emergency Committee continuously monitors the evolution of the pandemic at national level in order to provide indications to the top management on how to deal with all the cases that could arise.
It should be noted that, despite the emergency situation described above, all the companies of the Banca Finnat Group have ensured and continue to ensure operational continuity towards counterparties and the market, always guaranteeing the maximum efficiency of the service offered to customers both in branches and through online banking services.

Invasion of Ukraine by Russia
At 5 a.m. local time on 24 February 2022, Russian armed forces crossed the borders and began the invasion of Ukraine. The advance of the Soviet troops continued day after day with the aim of reaching the capital Kiev.
The NATO countries reacted immediately by activating their defensive plans by putting their forces on maximum alert. The European Union, through the President of the Commission, has announced heavy economic sanctions such as: the interruption of the export of technology to Moscow, the freezing of Russian assets and the end of Russian banks' access to the European capital market.
The European Union, aligning itself with the position of the United States, Great Britain and Canada, has also provided to exclude some Russian banks from the Swift international payment system.
At the moment it is not possible to make any predictions regarding the potential economic impacts deriving from the situation of serious international instability that has arisen as a result of the ongoing war. Taking into account the current situation and in the desirable hypothesis of a rapid resolution of hostilities, it is believed that impacts will not be significant.

On 7 March 2022, with a joint press release, the Bank of Italy, CONSOB, IVASS and UIF called the attention of the supervised entities to full compliance with the restrictive measures applied by the European Union in response to the Russian military aggression in Ukraine. The Bank and the other Group companies, in compliance with what is reported in the Press Release, are implementing all the controls and devices necessary in order to comply with the restrictive measures adopted by the EU, constantly monitoring the updating of the measures in question.

Related party transactions

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 2 August 2013 to define responsibilities and rules governing the identification, approval and implementation of Related Party Transactions carried out by the Bank or by companies in the Banca Finnat banking group, in accordance with the provisions of Article 2391-bis of the Italian Civil Code, the CONSOB Regulation adopted through Resolution no. 17221 of 12 March 2010 and Part III, Chapter 11 of Bank of Italy Circular no. 285 on "Supervision Provisions for Banks".

The Bank has carried out transactions with both subsidiaries and related parties, ordinary transactions of lesser significance and of small amounts, under market conditions, which did not significantly impact the company's financial and economic results.

The Bank did not carry out any "atypical or unusual" transactions either with related parties or with parties other than related ones which, due to their significance/relevance may have cast doubts on the safeguarding of the company's assets and the protection of non-controlling interests.

The information required by IAS 24 is provided in Part H of the Notes to the Financial Statements.

Option for the domestic consolidated tax system

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the Consolidated Income Tax Act. The option was renewed in June 2019 for the 2019-2021 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the algebraic sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit of the company is determined.

Market disclosure information

Regarding direct disclosure to the market, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, at 31 December 2021, neither the Bank nor the other Group companies held any exposure and/or interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPE (Special Purpose Entities) - CDO (Collateralised Debt Obligations) - Other sub-prime and Alt-A exposures - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance.
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to CONSOB Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by CONSOB through Resolution no. 11971 of 14 May 1999, as subsequently amended, by making use of the right of listed companies to depart from the

obligation to submit the information documents required by Annex 3B of the CONSOB Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;

- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, CONSOB and ISVAP and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in the Notes to the Financial Statements, Part A, Section 2 - General financial reporting principles and Part E - Information on Risks and Related Hedging Policies;
- the Bank, within the deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) no. 2017/2395, amending "Regulation (EU) no. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9, albeit limited to those deriving from the measurement of performing financial assets. On 28/4/2020, the EU, with Regulation no. 2020/0066 issued to combat the effects of Covid-19, supplemented the above-mentioned transitional provisions, extending their applicability from 2022 to 2024 (again with progressively decreasing percentages) for the new provisions recognised in 2020 and in 2021 against performing financial assets.

State-by-state disclosure to the public

Data at 31 December 2021
pursuant to Article 89 of Directive no. 2013/36/EU of the European Parliament and of the Council (CRD IV)

Name	Geographical location	Nature of the business	Turnover (in thousands of euros)	Average number of employees	Profit/loss before taxes (in thousands of euros)	Taxes on profit or loss (in thousands of euros)
Parent Company						
Banca Finnat Euramerica S.p.A.	Italy	Banking	41,418	189	6,899	(1,220)
Direct subsidiaries						
Finnat Fiduciaria S.p.A.	Italy	Trustee	1,557	11	170	(55)
InvestiRE SGR S.P.A.	Italy	Promotion and management of closed-end real estate funds	26,265	135	7,971	(1,929)
Natam Management Company S.A.	Luxembourg	Collective management of savings	959	4	152	(40)
Finnat Gestioni SA	Switzerland	Financial management and consultancy	835	2	628	(97)

Capital adequacy, prudential ratios and information on risk management

Information relating to the degree of capital adequacy and risk management of the Group is amply illustrated in the Notes to the Financial Statements, respectively, in Part F - Information on consolidated equity and in Part E - Information on risks and related hedging policies.

Own funds and consolidated banking regulatory ratios

The consolidated Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 that transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (known as Basel 3).
In order to enact the regulations, the Bank of Italy issued Circular no. 285 "Prudential Supervision Provisions for Banks" on 17 December 2013.

Own funds at 31 December 2021 amounted to 189,397 thousand euros (184,465 thousand euros at 31 December 2020), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 31.1% (34.9% at 31 December 2020). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to 188,189 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would be equal to 31.0%.

These ratios widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy on conclusion of the supervisory review and evaluation process (SREP) established by Directive no. 2013/36/EU (CRD IV).

Research and development activities

For research and development activities, please refer to what is indicated in the Directors' Report to the separate financial statements of the Parent Company.

Exposure to debt securities and sovereign debt financing

With its "Communication on information to be provided in financial report with regard to exposures held by listed companies in sovereign debt securities", no. DEM/11070007 of 5 August 2011, CONSOB references the application of document no. 2011/266 of 28 July 2011 of the European Securities and Markets Authority (ESMA) relating to the information about sovereign debt to be included in the annual and half-year financial reports prepared by listed companies that adopt the IAS/IFRS international accounting standards.

As indicated in the ESMA document, "sovereign debt" means bonds issued by central and local governments and by government agencies as well as loans issued to them. The following tables highlight in more detail the exposure in debt securities by their accounting portfolio, maturity bracket and fair value hierarchy.

The following tables show, broken down by individual country, the book value of exposures to sovereign credit risk.

Breakdown of sovereign debt securities portfolio - by issuer country (in thousands of euro)	**31.12.2021**
EU Countries	
- Italy	1,030,491

Breakdown of sovereign debt securities portfolio - by portfolio and by maturity (in thousands of euro)

	maturity in 2022	maturity in 2023	maturity in 2024	maturity in 2025	maturity in 2026	maturity in 2027	maturity beyond 2027	Total	Level 1
Financial assets at fair value through profit or loss: a) Financial assets held for trading (-/+)									
- Italy	1	1	-	-	-	-	-	2	2
Financial assets at fair value through other comprehensive income (*)									
- Italy	40,052	10,052	49,101	40,852	131,028	-	5,034	276,119	276,119
Financial assets at amortised cost									
- Italy	500,712	-	251,046	-	-	-	2,612	754,370	754,370
Total	540,765	10,053	300,147	40,852	131,028	-	7,646	1,030,491	1,030,491

(*) the amounts are gross of portfolio impairment losses for credit risk totalling 148 thousand euros.

With reference to Italian government bonds, the Group carries out periodic stress tests that postulate an increase in credit spreads, evaluating the related effects.

The analyses carried out did not reveal any significant impacts on the solidity of the Group. In fact, in the event of stress, the CET1 Ratio indicator would still be significantly higher than the limits set by the SREP decision for the year 2021.

Operating outlook

The forecasts for the year 2022, drawn up at the beginning of the year by the Bank and the other Group Companies, were prepared taking into account the persistence of the Covid-19 epidemiological emergency situation but also the benefits deriving from the economic policy measures adopted at national and international level and a consequent resolution of the crisis generated by the pandemic starting from the end of the current year. The expected results allow us to confirm interesting levels of profitability and capitalisation also for 2022.

Taking into account the above-described serious international situation in progress, in the periodic reports scheduled for the year, the Bank will provide updates on the effects that the evolution of the Russian invasion in Ukraine may have on the performance of company activities.

Consolidated equity of the Group

The equity attributable to the owners of the parent at 31 December 2021, with the inclusion of the profit for the year, was equal to 227,200 thousand euros and presented the following evolution:

Trend in Equity attributable to the owners of the parent (in thousands of euro)

Equity at 31 December 2020	222,264
Dividend distribution	(4,443)
Change in valuation reserves	2,665
Changes in other reserves	584
Changes for sale of treasury shares	-
Profit for the period	6,130
Equity at 31 December 2021	227,200

Reconciliation of the Parent Company's and the Group's equity and results (in thousands of euro)

	Equity	of which: profit for the period
Balances of the financial statements of the Parent Company at 31 December 2021	254,237	5,679
Results of the investee companies as per the separate financial statements:		
- fully-consolidated companies	3,971	3,971
- companies valued at equity	-	34
Positive differences from consolidation:		
- previous years	(2,677)	
Surplus over the book value related to:		
- fully-consolidated companies	28,821	
Elimination of dividends		(3,433)
Other consolidation adjustments:	(57,152)	(121)
Balances resulting from the Group's consolidated financial statements at 31 December 2021	227,200	6,130

Treasury shares

At 31 December 2021, 28,810,640 treasury shares were held exclusively by the Parent Company. Those shares, totalling 14,059 thousand euros, equal to 7.9% of the share capital of the Bank, in application of IAS 32, were used to adjust the equity. In the financial year in question, the Bank did not buy or sell any treasury shares.

Rome, 21 March 2022

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

	Assets	31.12.2021	31.12.2020
10.	Cash and cash equivalents	115,367	72,655
20.	Financial assets at fair value through profit or loss	35,459	27,867
	a) financial assets held for trading	9,327	6,847
	c) other financial assets mandatorily measured at fair value	26,132	21,020
30.	Financial assets at fair value through other comprehensive income	345,869	341,825
40.	Financial assets at amortised cost	1,339,422	1,306,394
	a) loans and receivables with banks	54,372	52,619
	b) loans and receivables with customers	1,285,050	1,253,775
70.	Equity investments	10,385	10,694
90.	Property, equipment and investment property	19,896	17,899
100.	Intangible assets	31,089	31,170
	of which:		
	- goodwill	28,129	28,129
110.	Tax assets	9,993	10,319
	a) current	74	809
	b) deferred	9,919	9,510
130.	Other assets	38,408	23,310
	Total assets	1,945,888	1,842,133

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

	Liabilities and equity	31.12.2021	31.12.2020
10.	Financial liabilities at amortised cost	1,651,310	1,552,963
	a) due to banks	394	157
	b) due to customers	1,650,916	1,552,806
20.	Financial liabilities held for trading	2,065	40
60.	Tax liabilities	2,490	1,706
	a) current	911	487
	b) deferred	1,579	1,219
80.	Other liabilities	23,375	18,804
90.	Post-employment benefits	5,752	5,605
100.	Provisions for risks and charges:	124	313
	a) commitments and guarantees given	55	246
	c) other provisions for risks and charges	69	67
120.	Valuation reserves	10,292	7,627
150	Reserves	152,261	151,029
170.	Share capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Non-controlling interests (+/-)	33,572	40,438
200.	Profit for the year (+/-)	6,130	5,091
	Total liabilities and equity	1,945,888	1,842,133

INCOME STATEMENT
(in thousands of euro)

	Items	2021	2020
10.	Interest and similar income	13,683	18,428
	of which: interest calculated using the effective interest method	9,889	14,902
20.	Interest and similar expense	(3,494)	(2,270)
30.	**Net interest income**	**10,189**	**16,158**
40.	Fee and commission income	57,419	51,971
50.	Fee and commission expense	(2,523)	(2,527)
60.	**Net fee and commission income**	**54,896**	**49,444**
70.	Dividends and similar income	722	1,792
80.	Net trading expense	1,521	(253)
100.	Net gain from disposal or repurchase of:	179	1,448
	a) financial assets at amortised cost	155	278
	b) financial assets at fair value through other comprehensive income	24	1,170
110.	Net losses on other financial assets and liabilities at fair value through profit or loss	17	(399)
	b) other financial assets mandatorily measured at fair value	17	(399)
120.	**Total income**	**67,524**	**68,190**
130.	Net impairment losses for credit risk associated with:	(1,057)	(5,162)
	a) financial assets at amortised cost	(1,034)	(5,561)
	b) financial assets at fair value through other comprehensive income	(23)	399
140.	Net modification gains (losses)	(157)	(185)
150.	**Net financial income**	**66,310**	**62,843**
190.	Administrative expenses:	(55,947)	(52,190)
	a) personnel expenses	(38,061)	(36,025)
	b) other administrative expenses	(17,886)	(16,165)
200.	Net reversals of (accruals to) provisions for risks and charges	190	(211)
	a) commitments and guarantees given	190	(144)
	b) other	-	(67)
210.	Depreciation and net impairment losses on property, equipment and investment property	(3,413)	(3,423)
220.	Amortisation and net impairment losses on intangible assets	(205)	(245)
230.	Other operating income, net	5,447	4,990
240.	**Operating costs**	**(53,928)**	**(51,079)**
250.	Net loss on equity investments	(242)	(199)
290.	**Profit (loss) from continuing operations before taxes**	**12,140**	**11,565**
300.	Income taxes	(3,508)	(3,787)
310.	**Profit from continuing operations after taxes**	**8,632**	**7,778**
330.	**Profit for the year**	**8,632**	**7,778**
340.	Profit for the year attributable to non-controlling interests	2,502	2,687
350.	**Profit for the year attributable to the owner of the parent**	**6,130**	**5,091**

STATEMENT OF COMPREHENSIVE INCOME
(in thousands of euro)

	Items	2021	2020
10.	Profit for the year	8,632	7,778
	Other comprehensive income after taxes that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	3,390	906
70.	Defined benefit plans	15	110
90.	Share of valuation reserves of equity-accounted investments	(34)	20
	Other comprehensive income after taxes that will be reclassified to profit or loss		
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	(645)	1,033
170.	Total other comprehensive income after tax	2,726	2,069
180.	Comprehensive income (Items 10+170)	11,358	9,847
190.	Comprehensive income attributable to non-controlling interests	2,563	2,726
200.	Comprehensive income attributable to the owners of the parent	8,795	7,121

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of euro)

				Allocation of previous year's profit		Changes during the year									Equity at 31/12/2021		
						Changes in reserves	Equity transactions							Comprehensive income for 2021			
	Balances at 31/12/2020	Change in opening balances	Balances at 01/01/2021	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity investments		**Total**	**Owners of the parent**	**Non-controlling interests**
Share capital:	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
a) ordinary shares	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	188,995	-	188,995	3,335	-	(8,845)	-	-	-	-	-	-	-	-	183,485	152,261	31,224
a) income-related	127,900	-	127,900	3,825	-	(4,439)	-	-	-	-	-	-	-	-	127,286	118,954	8,332
b) other	61,095	-	61,095	(490)	-	(4,406)	-	-	-	-	-	-	-	-	56,199	33,307	22,892
Valuation reserve	7,412	-	7,412	-	-	-	-	-	-	-	-	-	-	2,726	10,138	10,292	(154)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059)	-	(14,059)	-	-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
Profit for the year	7,778	-	7,778	(3,335)	(4,443)	-	-	-	-	-	-	-	-	8,632	8,632	6,130	2,502
Equity	262,702	-	262,702	-	(4,443)	(8,845)	-	-	-	-	-	-	-	11,358	260,772	227,200	33,572
of which: attributable to the owners of the parent	222,264	-	222,264	-	(4,443)	584	-	-	-	-	-	-	-	8,795	227,200		
of which: attributable to non-controlling interests	40,438	-	40,438	-	-	(9,429)	-	-	-	-	-	-	-	2,563	33,572		

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of euro)

				Allocation of previous year's profit		**Changes during the year**									**Equity at 31/12/2020**		
						Changes in reserves	Equity transactions							Comprehensive income for 2020			
	Balances at 31/12/2019	Change in opening balances	Balances at 01/01/2020	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity investments		**Total**	**Owners of the parent**	**Non-controlling interests**
Share capital:	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
a) ordinary shares	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	188,583	-	188,583	3,502	-	(3,090)	-	-	-	-	-	-	-	-	188,995	151,029	37,966
a) income-related	127,154	-	127,154	3,845	-	(3,099)	-	-	-	-	-	-	-	-	127,900	117,816	10,084
b) other	61,429	-	61,429	(343)	-	9	-	-	-	-	-	-	-	-	61,095	33,213	27,882
Valuation reserve	5,343	-	5,343	-	-	-	-	-	-	-	-	-	-	2,069	7,412	7,627	(215)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059)	-	(14,059)	-	-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
Profit for the year	3,502	-	3,502	(3,502)	-	-	-	-	-	-	-	-	-	7,778	7,778	5,091	2,687
Equity	255,945	-	255,945	-	-	(3,090)	-	-	-	-	-	-	-	9,847	262,702	222,264	40,438
of which: attributable to the owners of the parent	215,134	-	215,134	-	-	9	-	-	-	-	-	-	-	7,121	222,264		
of which: attributable to non-controlling interests	40,811	-	40,811	-	-	(3,099)	-	-	-	-	-	-	-	2,726	40,438		

STATEMENT OF CASH FLOWS (indirect method)
(in thousands of euro)

	Amount	
	31.12.2021	**31.12.2020**
A. OPERATING ACTIVITIES		
1. Operations	2,726	20,462
- profit for the year (+/-)	6,130	5,091
- net losses on financial assets held for trading and on other financial assets and liabilities at fair value through profit or loss (-/+)	(1,375)	222
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses for credit risk (+/-)	1,057	5,162
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	3,688	3,723
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	(1,845)	1,762
- net premiums not received (-)	-	-
- other insurance income/expenses not received/paid (-/+)	-	-
- taxes, duties and tax credits not liquidated (+/-)	(3,508)	(3,787)
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups net of tax effect (+/-)	-	-
- other adjustments (+/-)	(1,421)	8,289
2. Cash generated by/used for financial assets	(56,788)	247,388
- financial assets held for trading	(1,660)	51,025
- financial assets at fair value	-	-
- other financial assets mandatorily measured at fair value	(4,557)	422
- financial assets at fair value through other comprehensive income	(1,323)	27,178
- financial assets at amortised cost	(34,080)	167,156
- other assets	(15,168)	1,607
3. Cash generated by/used for financial liabilities	101,465	(264,988)
- financial liabilities at amortised cost	93,114	(263,027)
- financial liabilities held for trading	2,025	(112)
- financial liabilities at fair value	-	-
- other liabilities	6,326	(1,849)
Net cash flows generated by/used in operating activities	47,403	2,862
B. INVESTING ACTIVITIES		
1. Cash generated by	1	333
- disposals of equity investments	-	333
- dividends from equity investments	-	-
- disposals of property, equipment and investment property	1	-
- disposals of intangible assets	-	-
- disposals of subsidiaries and business units	-	-
2. Cash used for	(249)	(220)
- purchases of equity investments	-	-
- purchases of property, equipment and investment property	(125)	(101)
- purchases of intangible assets	(124)	(119)
- purchases of subsidiaries and business units	-	-
Net cash flows generated by/used in investing activities	(248)	113
C. FINANCING ACTIVITIES		
- issues/repurchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- dividend and other distributions	(4,443)	-
- sale/purchase of subsidiaries' equity instruments	-	-
Net cash flows used in financing activities	(4,443)	-
NET CASH FLOWS FOR THE YEAR	42,712	2,975

Key:
(+) generated
(-) used

RECONCILIATION	**31.12.2021**	**31.12.2020**
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the year	72,655	69,680
Total net cash flows for the year	42,712	2,975
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at the end of the year	115,367	72,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANCA FINNAT EURAMERICA GROUP

The sections of the notes to the financial statements applicable to the Group are shown below.

Part A – Accounting policies

A.1 – General Information

Section 1 - Declaration of compliance with international accounting standards

The condensed, consolidated half-year financial statements at 31 December 2021 of the Banca Finnat Euramerica Group have been prepared applying the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued, as amended, by the International Accounting Standard Board (IASB), as endorsed by the European Commission, in force at 31 December 2021, in accordance with the procedures laid down in Regulation EC no. 1606/02.
The international accounting standards have been applied taking into account, where necessary, the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).
For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (*IFRIC*), as well as the documents issued to support the introduction of the *IAS/IFRS* in Italy by the Organismo Italiano di Contabilità (OIC) - the Italian Accounting Board - and the documents produced by the Italian Bankers' Association (ABI).
If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

Section 2 - General financial reporting principles

The Group consolidated Financial Statements at 31 December 2021 were prepared in accordance with the provisions laid down by Bank of Italy Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" - update 7 of 29 October 2021. Among other things, this latest update has the purpose of aligning, as far as possible, the financial statements with the consolidated financial reports at European level (FINREP).

The communication of the Bank of Italy of 21 December 2021 - Update of the additions to the provisions of Circular no. 262 "The bank balance sheet: compilation schemes and rules", concerning the impacts of Covid-19 and measures to support the economy. This communication, which repeals and replace the previous one of 15 December 2020, has the purpose to update the additions to the provisions of Circular no. 262/2005 to provide the market with information on the effects that Covid-19 has produced on risk management strategies, objectives and policies, as well as on the Group's economic and equity situation. The communication in question provides that the tabular representation of the new provisions, referring to the 2021 financial statements, also include the indication of the comparative amounts referring to the data for the year 2020.
Account was also taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of Covid-19, issued by the European regulatory and supervisory bodies and by standard setters, aimed at clarifying the methods of application of the IAS/IFRS in the current pandemic environment (ESMA Notices, EBA guidelines, letter from the ECB dated 4 December 2020 and ESMA Notice of 29 October 2021).

The accounting standards applied to prepare these Consolidated Financial Statements have remained unchanged with respect to those applied to prepare the Group Report for 2020, with the exception of that indicated in Section “A.2 - Information on the main financial statement items”.
With reference to the evolution of the accounting legislation, it should be noted that starting from 2021, Regulation no. 25/2021 of 13 January 2021, which incorporates the document "Reform of the reference indices for determining interest rates - phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" on issues relating to the revision of interest rates (Interest Rate Benchmark Reform - IBOR Reform) is applicable. The main changes introduced concern the possible

accounting impacts deriving from the application of the new rates, in particular the accounting representation of the amendments to existing contracts and accounting hedges. From the point of view of the accounting representation, it is specified that the changes following the IBOR Reform relating to the replacement of the existing IBOR rate with the new Risk Free Rate should not constitute a derecognition event, but are to be considered as an accounting modifications ("Modification").

In this context, a practical expedient has been introduced which makes it possible not to carry out the accounting cancellation of the financial instrument and not to have to adjust its gross book value by recognising net modification gains (losses) without accounting cancellation.

With regard to hedge accounting, some exceptions have been introduced to IAS 39 and IFRS 9 which allow, for hedging relationships affected by the reform of the benchmark interest rates, not to carry out "discounting" on existing hedges and reflect alternative benchmark interest rates therein. The aforementioned amendments introduced by the IASB, with the aim of avoiding distorting effects in the Financial Statements as a consequence of the reform, did not have any accounting impact for the Bank and for the other Group companies.

The consolidated Financial Statements consist of the consolidated Statement of Financial Position, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Equity, the consolidated Cash Flow Statement as well as these Notes to the Financial Statements.

It is also accompanied by the Directors' Report on the management trend and the situation of the Group.

The consolidated schedules of the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income are made up of items, sub-items and further information details (the “of which” of the items and sub-items). The items, sub-items and related information details constitute the separate financial statements. Items that do not present amounts for the year to which the financial statements refer, nor for the previous one, are not shown. In the Income Statement and in the Statement of Comprehensive Income, revenue is indicated without a sign, while costs are indicated in brackets.

The amount of the previous year is also indicated for each item of the consolidated Statement of Financial Position, the consolidated Income Statement, the consolidated Statement of Comprehensive Income and the consolidated Cash Flow Statement.

In compliance with Article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated Financial Statements were prepared using the euro as the reporting currency. Regarding the contents of the tables, all figures are expressed in thousands of euro, unless otherwise specified.

The consolidated financial statements provide a true and correct representation of the equity, financial situation and the economic result for the year. The financial statements were also drawn up, as already mentioned, with a view to the continuation of operations (IAS 1 paragraph 25), in compliance with the principle of accruals (IAS 1 paragraph 27 and 28) and in compliance with the obligation to make adjustments for reflect events subsequent to the reporting date (IAS 10). Assets and liabilities, income and expenses have not been offset, except where required or allowed by a standard or interpretation (IAS 1, paragraph 32). The cost of inventory and of financial instruments was calculated using the weighted average daily cost method (IAS 2, paragraph 25).

The consolidated financial statements of the Banca Finnat Group will be audited by KPMG S.p.A.

As required by IAS 8, the Regulations (for amendment or issuance of new standards) endorsed by the European Commission that apply from 1 January 2021 onwards are shown below:

- Regulation no. 25/2021 – Interest Rate Benchmark Reform - phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- Regulation no. 1421/2021 - Concession on royalties related to Covid-19 after 30 June 2021 (Amendment to IFRS 16).

In addition, the European Commission has approved the following Regulation (for amendments or issuances of new standards) which will be applied starting from 1 January 2023:

- Regulation no. 2023/2021 - Insurance contracts - Amendment to IFRS 17.

Section 3 - Scope and methods of consolidation

Investments in exclusively-controlled subsidiaries

Company name	Place of business	Registered office	Type of relationship (1)	Investment relationship		% Voting rights % (2)
				Investor company	% stake	
1. InvestiRE SGR S.p.A.	Rome	Rome	1	Banca Finnat	59.15	59.15
2. Finnat Fiduciaria S.p.A.	Rome	Rome	1	Banca Finnat	100.00	100.00
3. Finnat Gestioni S.A.	Lugano	Lugano	1	Banca Finnat	70.00	70.00
4. Natam Management Company S.A.	Luxembourg	Luxembourg	1	Banca Finnat	100.00	100.00

Key:
(1) Type of relationship:
1 = majority of voting rights in the ordinary shareholders' meeting; 2 = dominant influence in the ordinary shareholders' meeting; 3 = agreements with other shareholders; 4 = other forms of control; 5 = unitary management pursuant to art. 39, paragraph 1 of Italian Legislative Decree no. 136/2015; 6 = unitary management pursuant to art. 39, paragraph 2 of Italian Legislative Decree no. 136/2015.
(2) Availability of votes in the ordinary shareholders' meeting, distinguishing between actual and potential.
The percentage of voting rights in the shareholders' meeting is actual.

In addition to the aforementioned equity investments, from July 2021 the Bank also has 100% exclusive control of the BFE Revalue Fund, with registered office in Rome.

2. Significant valuations and assumptions in determining the scope of consolidation

The scope of consolidation includes:

- the separate financial statements of the Parent Company Banca Finnat Euramerica S.p.A. and of the subsidiaries, consolidated on a line-by-line basis;
- the financial statements of associated companies and joint ventures or the last financial report available at the time of preparation of the consolidated financial statements, stated at equity.

The scope of consolidation includes all subsidiary companies, regardless of their legal status, and of whether they are going concerns or being wound up.

The scope of consolidation has changed compared to the financial statements for the year ended 31 December 2020 as follows:

- for the entry into the Group of the BFE Revalue Fund, consolidated on a line-by-line, established in July 2021 and managed by the subsidiary InvestiRE SGR. In the constitution phase the Bank irrevocably undertook to subscribe the fund units for a total value of 2 million euros, to be completed through cash payments. At 31 December 2021 the amount of payments made solely by the Bank was equal to 200 thousand euros;
- for the exit from the Group of the associated company Previra Invest S.p.A. in liquidation on 15 December 2021, following the conclusion of the voluntary liquidation with the approval by the shareholders' meeting of the final liquidation financial statements and the final distribution plan.

Subsidiaries

Subsidiaries are companies whose financial and operating policies the Group directly or indirectly determines and, therefore, the Group can benefit from their activities.

When determining control, account should also be taken of the companies in which Banca Finnat directly or indirectly holds more than half of the voting rights. The assessment of the voting rights shall also include the "potential" rights, which can be consistently exercised or converted into effective voting rights at any time.
Structured entities in which the Group has direct or indirect control according to IFRS 10 are also considered subsidiaries. In particular, the structured assets represented by real estate investment funds are considered controlled entities and therefore fully consolidated when the Group has the power to direct/govern the relevant fund activities and/or exercise control over the manager's activities.

The financial statements of subsidiaries are consolidated from the date on which the parent company obtains control over the company until the date on which that control ceases.

Associated companies and joint ventures

Associated companies are entities whose financial and operating policies are significantly influenced by the Group, but which it does not control, either jointly or separately; they are included in the consolidation at equity. As required by IAS 28, equity interests classified as joint ventures are also consolidated at equity.
The profit or losses of the Group are recorded in the Income Statement from the date on which the significant influence started and up to the date on which it ceases.
If the loss by the Group exceeds the book value of the equity investment then the value of the equity investment is derecognised and, if the investing company is committed to fulfilling legal or implicit obligations of the investee company, or in any event to covering its losses, any surplus is recognised in specific provisions under liabilities.

Line-by-line consolidation

All the financial statements of the investee companies used to prepare the consolidated financial statements were drawn up at 31 December and, if necessary, adjusted to ensure the uniform application of the same accounting standards applied by the Parent Company.

The assets and liabilities, expenses and income of the companies consolidated according to the line-by-line method are fully recognised in the consolidated financial statements ("line-by-line" recognition of the statement of financial position and income statement aggregates of the subsidiaries), after the recording of any non-controlling interests in specific items; the book value of the equity investments is written off for the corresponding fraction of the equity of the investee companies, recording the single asset and liability items (including the provisions for risks and charges) at their current value on the date of acquisition of control. Any positive difference resulting from the said writing off is recorded as goodwill, under the asset item "Intangible assets", at the date of the first consolidation and, thereafter, among the equity reserves. Any negative difference is recorded in the Income Statement.
All intra-group balances (assets, liabilities, revenue and costs) and transactions, including any unrealised profit or loss resulting from intra-group transactions, are written off minus their theoretical tax effect, if significant. The Group's share of unrealised profit and loss with associated companies is written off.
Unrealised losses are written off only if they represent impairment losses.
The presentation currency of the Group's financial statements is the euro, which is also the functional currency of all the companies included in the Consolidated Financial Statements.
Non-monetary assets and liabilities in foreign currencies, recorded at historical cost, are translated using the exchange rate at the date on which the transaction was originally recorded.
The financial statements of the consolidated companies expressed in foreign currencies were translated according to the exchange rate at the reporting date for the assets and liabilities; for the income statement items, the average exchange rates in the year were used, and the historical exchange rates for the equity items. The differences between the values of the equity items at the historical exchange rates and those deriving from the translation thereof at the

current exchange rates are recorded in an equity item called "Other reserves".

Consolidation at equity

This method provides for the initial recording of the investee company at cost. The book value is then periodically adjusted to take into account changes in the investee company's equity. The pro rata allocation of the profit for the year of the investee company is recorded in a specific item of the Income Statement. The equity of the associates is inferred from the latest available financial statements or from the latest financial report available at the time of preparation of the consolidated financial statements.
The difference - if any - between the book value and the recovery value of the equity investment, estimated based on the present value of the future cash flows generated by the investment itself, is recorded in the Income Statement.

3. Equity investments in subsidiaries with significant non-controlling interests

3.1 Third party interests, availability of third party votes and distributed dividends

Company name	Third party interests %	Availability of votes of third parties% (1)	Dividends distributed to third parties
1. InvestiRE SGR S.p.A.	40.85%	40.85%	2,125

(1) Availability of votes in the ordinary assembly

3.2 Equity investments with significant third-party interests: accounting information (1 of 2)

Company name	Total assets	Cash and cash equivalents	Financial assets	Property, equipment and investment property and intangible assets	Financial liabilities	Equity	Net interest income	Total income
1. InvestiRE SGR S.p.A.	99,303	32,750	20,758	34,564	6,683	80,887	(88)	26,265

3.2 Investments with significant third-party interests: accounting information (2 of 2)

Company name	Operating costs	Profit (loss) from continuing operations before taxes	Profit (loss) from continuing operations after taxes	Profit (loss) of groups of assets from discontinued operations after taxes	Profit for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
1. InvestiRE SGR S.p.A.	(18,258)	7,971	6,042	-	6,042	54	6,096

Section 4 - Subsequent events

In the period between the end of the 2021 financial year and the date of preparation of these Financial Statements, no significant events or facts emerged that would entail the adjustment of the economic, equity and financial situation of the Bank.

However, it should be noted that on 11 February 2022 the Mr Carlo Carlevaris, for many years Chairman of the Bank's Board of Directors, passed away. The whole Banca Finnat Euramerica Group remembers with deep emotion his qualities of great professionalism and humanity.

Covid-19

Since the beginning of 2022 there has been a general worsening of the epidemiological situation in the country due to the wide spread of the new Omicron variant which recorded several times, during the month of January throughout the national territory, peaks of positive Covid-19 tests exceeding 200,000 units per day and a number of deaths exceeding 400 units.

Especially in consideration of the speed of the epidemic, on 7 January 2022 the Government issued Italian Decree Law no. 1 for the adoption of further measures for the prevention and containment of Covid-19 in order to limit the increasing trend of the contagion curve and to implement protection measures for the most exposed categories. In particular, starting from 15 February and until 15 June 2022, the decree provides for the vaccination obligation for all workers in the public and private sectors aged 50. In this regard it should be noted that the reinforced Green Pass, whose verification is the responsibility of employers, constitutes an essential requirement for carrying out working activities. The decree also provides for the extension of the basic Green Pass to access:

- personal services (barbers, hairdressers and beauticians) starting from 20 January 2022;
- public offices, postal, banking and financial services and commercial activities not of primary necessity, starting from 1 February 2022.

Within its competence, the Bank and the other Group companies promptly respected and applied the provisions of the new government measures described above; the Bank also updated and integrated the circular issued on 13 October 2021 which defines the methods for checking possession of the Green Pass to access workplaces and, together with the other companies of the Group, it has strengthened the health facilities already in place, and also increased the number of smart working workers.

The Bank's Coronavirus Emergency Committee continuously monitors the evolution of the pandemic at national level in order to provide indications to the top management on how to deal with all the cases that could arise.

It should be noted that, despite the emergency situation described above, all the companies of the Banca Finnat Group have ensured and continue to ensure operational continuity towards counterparties and the market, always guaranteeing the maximum efficiency of the service offered to customers both in branches and through online banking services.

Invasion of Ukraine by Russia

At 5 a.m. local time on 24 February 2022, Russian armed forces crossed the borders and began the invasion of Ukraine. The advance of the Soviet troops continued day after day with the aim of reaching the capital Kiev.

The NATO countries reacted immediately by activating their defensive plans by putting their forces on maximum alert. Through the President of the Commission, the European Union has announced heavy economic sanctions such as: the interruption of the export of technology to Moscow, the freezing of Russian assets and the end of Russian banks' access to the European capital market.

The European Union, aligning itself with the position of the United States, Great Britain and Canada, has also provided to exclude some Russian banks from the Swift international payment system.

At the moment it is not possible to make any predictions regarding the potential economic impacts deriving from the situation of serious international instability that has arisen as a result of the ongoing war. Taking into account the current situation and in the desirable hypothesis of a rapid resolution of hostilities, it is not believed that these impacts could be significant.

On 7 March 2022, with a joint press release, the Bank of Italy, CONSOB, IVASS and UIF called the attention of the supervised entities to full compliance with the restrictive measures applied by the European Union in response to the Russian military aggression in Ukraine. The Bank and the other Group companies, in compliance with what is reported in the Press Release, are implementing all the controls and devices necessary in order to comply with the restrictive measures adopted by the EU, constantly monitoring the updating of the measures in question.

Section 5 - Other information

Risks, uncertainties and impacts of the Covid-19 epidemic

In compliance with the Bank of Italy's communication dated 21 December 2021 "Additions to the provisions of Circular no. 262/2005 concerning the impacts of Covid-19 and measures to support the economy and amendments to the IAS/IFRS" information is provided below on the effects that the Covid-19 epidemic has produced on the strategies, objectives and policies of risk management, as well as on the Group's income statement and financial position.

Risks and uncertainties

In compliance with the IAS/IFRSs, the Bank and the other Group companies carry out valuations, estimates and assumptions to support the application of the accounting standards and to determine the amounts of the assets, liabilities, costs and revenue reported in the consolidated financial statements, as well as the disclosure relating to contingent assets and liabilities.
The estimates and relevant assumptions are based on previous experience and on other factors considered reasonable in the case in question and were adopted to estimate the book value of the assets and liabilities that cannot be easily inferred from other sources.
In particular, estimate processes were adopted in support of the book values of some of the most significant valuation items recognised in the Financial Statements at 31 December 2021, as set forth in the accounting standards and reference regulations described above. These processes are based largely on estimates of future recoverability of the values booked to the financial statements according to the rules dictated by the regulations in force and were carried out on the basis of the going concern assumption, i.e. excluding the assumption of forced settlement of the items subject to valuation.
The processes adopted confirm the book values at 31 December 2021. The parameters and information used to verify the values mentioned earlier are therefore greatly influenced by the factors which could be subject to rapid changes that are currently not foreseeable, so that subsequent effects on future book values cannot be ruled out.
The estimates and assumptions are reviewed regularly. Any changes resulting from these revisions are booked in the period in which the revision is carried out, if the same concerns solely that period. In the event in which the revision concerns both current and future periods, the change is booked in the period in which the revision is carried out in the relative future periods.
The main cases where the use of subjective evaluations by Management are most requested are:

- quantifying losses due to impairment of loans and, in general, other financial assets and equity investments;
- using valuation models for recognising the fair value of financial instruments not listed in active markets;
- estimating and assuming the recoverability of deferred tax assets;
- estimating the recoverable value of goodwill;
- the estimate of the actuarial gains/losses related to the post-employment benefits;
- estimating any provisions for risks and charges.

Going concern assumption

In accordance with the requirements of the joint Bank of Italy, CONSOB and ISVAP document no. 2 of 6 February 2009 and paragraphs 25 and 26 of IAS 1, the Directors of the Bank, in the current COVID-19 epidemiological emergency, have taken into account with the utmost caution and attention - for the purpose of preparing these consolidated financial statements - a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the 'going concern' requirement.

As a result of the tests conducted on the realisable value of the assets and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts on the Group continuing as a going concern, even when taking full account of the impacts of Covid-19. Given the size of the Group's assets, the substantial financial resources owned and the composition, quality and liquidity of the portfolio of financial assets, the Directors of the Bank have prepared these Consolidated Financial Statements in the full conviction that the Group meets the requirements of a going concern in the foreseeable future.

Methods of application of the IAS/IFRSs

The Bank and the other Group companies paid particular attention to compliance with accounting and prudential rules as well as the correct application of international accounting standards, also taking into account the aforementioned communication from the Bank of Italy. From the analysis performed - focusing in particular on IFRS 9 and IAS 36, IFRS 15, IFRS 16 and IAS 19, summarised below - no particularly critical issues were identified as concerns for the drafting of these Financial Statements.

IFRS 9 – Financial Instruments - IAS 36 – Impairment of Assets

On the premise that the Bank and the other Group companies have never modified their business models, the following issues were specifically analysed:

- Increase in credit risk.
  Taking into account the intervention of ESMA of 25 March 2020 and of the IFRS Foundation of 27 March 2020, the Bank did not consider the economic support measures put into place by the government to support borrowers in response to Covid-19 as measures that automatically trigger an SICR (significant increase in credit risk); instead, it assessed any increase in credit risk using reasonable and supportable current and forward-looking information at the date on which these Financial Statements were drafted.
  It should also be highlighted that the moratoriums granted to performing customers to handle the Covid-19 emergency, in line with the provisions of the guidelines issued by the European Banking Authority (EBA/GL/2020/02) on 2 April 2020, did not entail the classification of customer exposures as forborne performing exposures, since the application of a general legislative moratorium, adopted as a specific response to the current economic situation caused by the Covid-19 pandemic, is not a forbearance measure and therefore should not be considered a restructuring as a result of financial difficulty. For those positions, the calculation of days past due was therefore suspended.
- Staging allocation – Significant increase in credit risk – new quantitative regulation.
  The accounting standards applied to prepare these Financial Statements at 31 December 2021 have remained unchanged with respect to those applied to prepare the Financial Statements at 31 December 2020, with the exception of what indicated in section A.2 - "Information on the main financial statement items". With respect to the last financial year, an amendment was also made to point "16 - Other information and 6 - Methods for determining impairment losses" specifically regarding the identification of a "significant increase" in credit risk.
  Specifically, starting in the current year, the outsourcer that provides the operating system the Bank uses made an update to the rating model, which also introduces the new definition of default set out in Article 178 of Regulation no. 575/2013 (CRR) adopted by the Bank and consistent with the definition of impaired financial assets set out in IFRS 9. The update to the rating model made resulted in several changes to the quantitative criteria established by the Bank's current policy to identify a "significant increase" in credit risk, exclusively as regards the staging method defined for the loans portfolio.
  Specifically, in order to verify a significant deterioration in credit quality and the resulting transfer of the financial instrument from Stage 1 to Stage 2, the quantitative criterion based on the verification of deterioration of the counterparties' ratings has been replaced with a new criterion based on the verification of the change in the

Probability of Default (PD) of the credit position. The changes in PD are calibrated on the single rating classes and prudently considered the evolution of the curve, which is monotonic (the curve grows as the rating class worsens). The Bank has identified the thresholds for change in PD which, when reached, the financial instrument moves from Stage 1 to Stage 2, differentiated by type of customer (retail and corporate) and by rating class, as shown below:

Changes in Probability Of Default

Rating class	Retail customers	Corporate customers
AAA	250%	300%
AA	250%	300%
A	250%	300%
BBB	250%	300%
BB	200%	200%
B	200%	100%
CCC	50%	80%
CC	30%	30%
C	30%	30%

- Measurement of expected credit losses.
  With reference to the measurement of expected losses on credit exposures, the competent Authorities suggest considering the deterioration of the economic situation caused by the Covid-19 pandemic and, taking into account the context of high uncertainty, estimate the expected losses avoiding excessively pro-cyclical assumptions, giving a greater weight to historical information than to long-term macroeconomic forecasts.
  To determine the collective write-down of performing positions (on- and off-balance sheet) at 31 December 2021, Banca Finnat used the consortium model developed by the IT outsourcer as, in accordance with IFRS 9, it takes into account the updating of the historical series of risk parameters and macroeconomic scenarios based on the latest available forecasts. The estimation model adopted incorporates the macroeconomic scenarios implemented by the specialist provider Prometeia. The estimates of the risk parameters, and in particular the forward looking information, at 31 December 2021 show significant improvements generated by the positive evolution of the macro-economic situation, also determined by the introduction of support measures for businesses consisting of the State guarantee on loans banking and the gradual easing of anti-covid measures, nationally and internationally. The forward looking information required by the model identify three scenarios (Best/Base/Worst) to which the following weights were assigned in the previous years: 5/90/5.
  Nonetheless, considering the current unusual situation, in line with the provisions of the Supervisory Bodies to encourage banks to keep using suitably prudent approaches, Banca Finnat decided to change the above weights, prudentially assigning a weight of 90 to the Worst scenario and a weight of 5 to the Base and Best scenarios. This approach resulted in an increase in impairment losses on performing loans of approximately 195 thousand euros. Despite the significant improvement in the emergency situation triggered by the pandemic and the positive estimates of growth in the Italian and European GDP, it is in fact considered that the signals of the increase in the number of infections at internal level of new variants of the Covid-19 virus, could lead to new containment measures and, as a result, have an impact on the macroeconomic variables with significant effects on the calculation of expected losses.
  With regard to the calibration of the statistical matrices, taking into account that in order to deal with the economic emergency triggered by the pandemic, government measures have been adopted through credit moratoriums and the provision of guarantees through the use of public funds, in the development of the impairment model, while

by recalibrating the default rate available at 31 December 2021 and using the latest Forward Looking Information of the satellite model, the Bank has prudentially deemed it appropriate to keep the transition matrices of the statistical model unchanged.

- Fair value measurement.
  In the current context characterised by market uncertainty and volatility, there could be an increase in measurements classified as Level 3, through the use of non - observable inputs, due to the disappearance of prices quoted in active markets (Level 1) and/or observable inputs (Level 2). Movement within the fair value hierarchy could take place for various types of financial instruments. At 31 December 2021 there have been no significant changes in the fair value hierarchy and as regards the valuation of financial instruments classified in Level 3, the Bank and the other Group companies have maintained the same criteria as those adopted in the 2020 Group Report, adding to the Policy adopted to include the assessment method relating to a type of investment previously not envisaged, as illustrated in the Section "Information on fair value".

- Impairment of assets
  At 31 December 2021 the Bank carried out impairment testing of its assets also taking into account the crisis situation generated by Covid-19.
  Pursuant to IAS 36, the Bank tested the recoverability of the book values of equity investments in associated companies measured at cost. The tests conducted did not show any problems and, thus, it was not necessary to record any impairment losses.
  As regards Goodwill recognised in the financial statements of the subsidiary Investire SGR, in order to decide whether it would be necessary to record an impairment loss, an impairment test was conducted, with the support of the internal specialists of the Parent Company, on the basis of the company's forecasts which take into account the effects of the COVID-19 pandemic.
  The definitive updated parameters of the Group to be used as assumptions on which the impairment calculation is based are summarised in the document "Measurement Methodologies and Impairment Test", approved by the competent decision-making bodies of the Bank autonomously and in advance with respect to the approval of these financial statements.
  At 31 December 2021, for the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) was used, which, in this specific case, matches the cost of capital "Ke", inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities; moreover, a period of explicit projection of 3 years was used, and a growth rate of 1.5% which also takes into account the expected inflation: the forward looking data used in the measurement at 31 December 2021 therefore refer to the projections for subsequent financial years prepared by the Management of the asset management company with the control and coordination of the Parent Company. The WACC thus determined is 7.91%.
  Lastly, the model for determining the equity value was subjected to sensitivity analysis in order to appreciate the change of the results obtained as the adopted measurement parameters change. The analyses conducted did not bring to light any indications of impairment with reference to goodwill, not even based on a stress test approach, using a discount rate "Ke" (+/-50 bps).

  Deferred tax assets at 31 December 2021 are in line with ESMA guidelines. At Group level, the Bank has verified the recoverability of the same recorded in accordance with IAS 12. On the basis of the assessments performed at 31 December 2021 with regard to the economic and financial projections of the Group, it is deemed with reasonable certainty that the deferred tax assets recognised in the statement of financial position assets will be recovered in full.

Contractual changes resulting from Covid-19

1) Contractual changes and accounting derecognition

At 31 December 2021 the pandemic did not cause significant deterioration in the payment capacity of the Group's customers; to this end, the following were assessed:

- whether any price reductions granted may have led to a change in the contract;
- if any payment extensions granted to customers could generate a significant financial component.

The analysis performed did not show conditions for the revision of timing and methods for the recognition of revenue.

It should also be noted that during the year - following the measures put in place by the Government to support the economy to mitigate the pandemic effect - no significant contractual changes or accounting derecognitions were made for the Group's customers.

2) Amendment of IFRS 16

As lessees, the Bank and other Group companies did not exercise any extension option set forth by IFRS 16 in the case of significant events or changes caused specifically by the decline in economic activity and the uncertainty of the macroeconomic scenario, nor did they rely on the provisions of the amendment "Covid-19 Related Rent Concessions" published by the IASB on 28 May 2020, which provides lessees with the option of accounting for payment reductions without needing to evaluate, by analysing the contracts, if the changes fall within the definition of lease modification set forth in IFRS 16.

Impact of the pandemic on the Group's strategies and results for the year

The Banca Finnat Group's business strategies have not changed as a result of the pandemic. All the Group companies ensured business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels. None of the Group's activities was interrupted, even temporarily, in particular as regards customer service.

Despite the economic crisis which significantly affected many production sectors at national level, the Group's result for the year 2021 is higher than the result of the previous year and it should be noted that in the year in question there were no absolute or relative negative impacts recorded on the main items of the statement of financial position and income statement due to the pandemic.

During the year a recover was recorded in activities and services targeted to corporate and institutional customers, which were more harshly penalised by the economic crisis in the previous year. The increase in net fee and commission income recognised compared to 2020 is attributable: i) to the increase of 17% in the Bank's net fee and commission income compared to 2020, mainly due to the increase in trading fees and advisory fees on deposits under administration and fund placement, due to the growth in indirect deposits, as well as the increase in advisory fees and corporate finance fees also due to the realisation of two bond placements and four share placements on the Euronext Growth Milan stock market (in that regard, note the sharp growth in values and transactions on that market, also driven by the 44 new listings realised in 2021); ii) in relation to real estate fund management, to growth recorded in development fees and variable fees, also due to the recovery of work at worksites as a result of the elimination of pandemic containment measures. Revenue from trusteeship and foreign companies were in line compared to the previous year.

As regards IAS 19, in relation to the financial year in question, the Bank and the other Group companies recorded actuarial gains/losses related to the provision for post-employment benefits in the year in question in line with previous years.

Nonetheless, the Group is keeping significant attention focused, specifically, on monitoring credit positions subject to moratoria and government guarantees, or which enjoyed subsidies at commercial level in the initial period of the crisis triggered by the pandemic. A fresh outbreak of the emergency situation triggered by the spread of new variants, though contained by the vaccination campaign, could threaten the expected positive impact on for the relaunch of the national economy of the management of the resources allocated at European level.
The results for the 2021 financial year of all subsidiaries increased overall in comparison to the previous year. Specifically, the subsidiary InvestiRE SGR recorded net profit of around 16% compared to 2020.
The liquidity position has always remained solid thanks to the broad availability of liquid reserves. In particular, during the 2021 financial year, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were considerably above minimum requirements. In terms of capital, the Group's capital and asset quality make it possible to face the crisis in the near future with relative peace of mind.

Exemption from drafting the fourth interim report on operations 2021

With the implementation of the Shareholders' Rights Directive (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-ter ("Financial Relations") of the Consolidated Financial Law (TUF) was amended. This amendment establishes that the annual financial report, including the draft financial statements, the consolidated financial statements where drafted, the management report and the declarations of the delegated administrative bodies and the financial reporting officer, must be made public within 120 days of closing of the financial year. The obligation of publication within 120 days refers explicitly to the "draft financial statements" approved by the administrative body and no longer to the "financial statements" approved by the shareholders' meeting. Therefore, with this amendment, the option for listed companies of postponing the approval of the financial statements up to a maximum term of 180 days is reinstated as provided for by art. 2364 paragraph 2 of the Civil Code, which had no longer applied after the application of Directive 2004/109/EC *(Transparency Directive*). The decree also establishes that, notwithstanding art. 2429, paragraph 1, of the Italian Civil Code, the draft financial statements must be communicated by the directors to the board of statutory auditors and to the independent auditors at least 15 days before the publication of the same.

With reference to the companies listed in the STAR segment, Borsa Italiana has provided for the publication - in addition to the reports relating to the 1st and 3rd quarters, as required by paragraph 5 of article 154-ter - also of the interim management report with reference to the 4th quarter; it also provided for the option to omit the preparation of the report in the event that the publication of the draft financial statements is brought forward to 90 days from the end of the reference year. This 90-day deadline (previously set at 75 days before the changes introduced with the transposition of the aforementioned directive) was established by Borsa Italiana with notice no. 14924 of 8 October 2010 concerning the "Amendments made to the Market Regulations".
In light of the foregoing, the Bank has taken advantage of the option not to publish the 4th interim management report by making the draft separate financial statements available to the shareholders and the market within 90 days from the end of the financial year the separate and consolidated financial statements at 31 December 2021 accompanied by the certification of the Financial Reporting Manager, with that of the Board of Statutory Auditors and the Independent Auditors.

A.2 – Information on the main financial statement items

The accounting standards adopted in preparing these Financial Statements at 31 December 2021 remained unchanged with respect to those adopted in preparing the 2020 Financial Statements, with the exception:

- of the change made to point "16 - Other information 6 - Methods for determining impairment losses" specifically regarding the identification of a "significant increase" in credit risk. Specifically, starting in the current year, the outsourcer that provides the operating system the Bank uses made an update to the rating model, which also introduced the new definition of default set out in Article 178 of Regulation no. 575/2013 (CRR) adopted by the Bank and consistent with the definition of impaired financial assets set out in IFRS 9. The update to the rating model resulted in the change, from 30 June 2021, to one of the quantitative criteria established by the Bank's updated policy to identify a "significant increase" in credit risk, exclusively as regards the staging method defined for the loans portfolio. The new rule no longer refers to the worsening of rating classes, but it is based on the change in the Lifetime Probability of Default in relation to the origination of the loan;
- the change made to point "3 Recognition of revenue and costs" relating to the method of recognition of revenue relating to the mandatory service of producing research in analyst coverage and financial analysis services, exercised in relation to institutional customers which, starting from 2021, occurs at the time the research is issued and no longer at a later point, based on the amount that the Bank has the right to invoice;
- the change made to the section "Information on fair value" relating to the introduction of the criteria, previously not included as relating to a case that was not present, relating to the valuation of investments with a lock-up clause in UCIs managed directly by Group companies.

The accounting standards adopted as concerns classification criteria, measurement and de-recognition, as well as the methods of recognition of costs and revenue are reported below:

1. Financial assets at fair value through profit or loss (FVTPL)

Classification criteria

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

- financial assets held for trading, mainly represented by debt securities, UCIs and equity instruments and the positive value of derivative contracts held for trading (Other/Trading);

- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost ("Hold to Collect") or at fair value through other comprehensive income ("Held to Collect and Sell").

These are financial assets whose contractual terms do not exclusively envisage capital reimbursements and interest payments on the amount of principal to be repaid (failing the "SPPI test") or that are not held within the framework of a business model whose objective is to hold assets for the purpose of collecting contractual cash flows or within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; capital instruments for which the Bank and the other Group companies do not exercise the irrevocable option for the measurement of these instruments at fair value through other comprehensive income are also included in this category.

- financial assets at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments, on the disbursement date for loans and on the subscription date for derivative contracts.

Upon initial recognition, financial assets at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criteria are charged to the Income Statement.

Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models or values posted in recent comparable transactions. For equity instruments and derivatives involving equity instruments not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case where none of the measurement methods mentioned above are applicable (since the most recent information available to measure fair value is insufficient), or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.

For further information on the criteria for determining fair value, please refer to the specific "Information on fair value" section.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

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

Lastly, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out those flows, and only those flows, without a significant delay, to other third parties.

2. Financial assets at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through sale (Held to Collect and Sell);
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (passing the "SPPI test").

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

Specifically, this item includes:

- debt securities that are part of a Held to Collect and Sell business model and passed the SPPI test;
- investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option of measurement at fair value through other comprehensive income was exercised;
- loans that are part of a Held to Collect and Sell business model and passed the SPPI test;

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets.

In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to the income statement (in the item “Net trading expense”).

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments, on the disbursement date for loans. Upon their initial recognition, assets are measured at fair value, which generally corresponds to the price paid. Any transaction costs or income directly attributable to the instrument itself are included in the purchase cost.

Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with impacts deriving from application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, whereas other gains or losses arising from a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. Upon disposal, in whole or in part, the cumulative gain or loss in the valuation reserve is reversed to the Income Statement.

The equity instruments chosen for classification in this category are measured at fair value and the amounts recognised as a balancing entry in equity must not be subsequently transferred to the income statement, even in the event of disposal. The only component relating to the equity instruments in question that is recognised in the income statement is represented by the related dividends.

Fair value is determined on the basis of the criteria already illustrated for Financial assets at fair value through profit or loss.

For further information on the criteria for determining fair value, please refer to the "Information on fair value" Section.

Financial assets at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to the testing for a significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in Stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as Stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and Stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.
Vice versa, equity instruments are not subject to impairment.

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

3. Financial assets at amortised cost

Classification criteria
This category includes financial assets (in particular loans and debt securities) that meet both of the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows, and the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (passing the "SPPI test"). More specifically, different types of loans to banks and customers and debt securities meeting the requirements set out in the previous paragraph are included in this item.
This category also includes operating loans related to the provision of financial activities and services as established by the Consolidated Banking Law and the Consolidated Financial Law.
According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the event of reclassification as Financial assets at fair value through profit or loss and Equity, in the specific valuation reserve, in the event of reclassification as Financial assets at fair value through other comprehensive income.

Loans and receivables with customers also include receivables for lease transactions relating to sub-leases of portions of properties.

Recognition criteria

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

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

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

Measurement criteria

Following their initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value, less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset). The effective interest rate is determined by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income related to the financial asset. This accounting method, which is based on a financial approach, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

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

The measurement criteria are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (Stage 3) includes non-performing financial assets and the remaining (Stages 1 and 2) performing financial assets.

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

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

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

If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "non-performing", like all other transactions with

the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the Income Statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position, and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.
Non-performing assets include financial instruments that have been granted the status of bad loans, unlikely to pay or past due/overdue by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.
The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.
The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured, resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.
If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the Income Statement. The value recovery cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.
Value recoveries related to the passing of time are recognised in net interest income.
In some cases, during the life of the financial assets in question and, in particular, of receivables, the original contractual terms can be amended by the parties to the contract. When, over the life of an instrument, the contractual clauses are amended, it is necessary to test whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements.
In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be carried out based on qualitative and quantitative considerations. In some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate their effects and test the need to derecognise or not the asset and to recognise a new financial instrument.
Therefore, qualitative and quantitative analyses aimed at defining the "substantial" nature of the contractual changes made to a financial asset will have to consider:
- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:

- the former, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. These cases include all renegotiation operations that are aimed at adjusting the cost of the debt to market conditions.
- the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for that set out below on the subject of objective elements), is that made through "modification accounting" and not through "derecognition", which implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate.

- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

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

Lastly, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out those flows, and only those flows, without a significant delay, to other third parties.

4 - Hedging transactions

Classification criteria

Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually arise.

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

Recognition criteria

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

Measurement criteria

Hedging derivatives are measured at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 "Fair value adjustments in hedge accounting" - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.

If the hedge is ineffective, hedge accounting, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

5 - Equity investments

Classification criteria
The item "Equity investments" includes investments in associated companies and jointly controlled companies; as required by IAS 28, this item also includes equity interests classified as joint ventures.

Equity interests in other companies in which the Parent Company does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired as long-term investments and not held for the purpose of trading, are classified as "Financial assets at fair value through other comprehensive income."

Recognition criteria
Equity investments are recorded at their settlement date and at purchase - or subscription - cost, including the additional charges and subsequent adjustment, on the basis of the stake held in the equity of the investee company.

Measurement and recognition criteria of income statement items
After initial recognition, the book value is adjusted to take into account changes in the investee company's equity. The pro rata allocation of the profit for the year of the investee company is recorded under item 250 "Net loss on equity investments" of the income statement.

Derecognition criteria
Equity investments are derecognised when they are transferred, with the substantial transfer of all related risks and benefits, or when the contractual rights to cash flows deriving from them expire.

6 - Property, equipment and investment property

Classification criteria
This item includes the assets for permanent use held to generate income and the property held for investment purposes.
Property, equipment and investment property also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.
Rights of use acquired through leases and relating to the use of property or equipment (for the lessees) and assets granted under an operating lease (for the lessors) are also included.

Recognition criteria
All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discounts.
Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.
Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.
Lease agreements, in accordance with IFRS 16, are accounted for on the basis of the right of use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor as compensation for its right to use the underlying asset during the lease term. The duration of the lease contract is determined taking into account the period of time during which the contract is payable; the lease contract is considered no
longer payable when the lessee and the lessor each have the right to terminate the lease without the consent of the other party, exposing themselves at most to a minimum penalty.

When the asset is made available to the lessee for use (initial recognition date), the right of use is recognised - net of VAT and any sub-leases - as a balancing entry to the payable equal to the present value of the lease payments to be made to the lessor.

Measurement criteria

Following their initial recognition, instrumental fixed assets and fixed investments are measured at cost minus the accumulated depreciation and taking into account any impairment losses and/or value recoveries.
This principle has been adopted because it was deemed more appropriate than the revaluation method provided by the reference accounting standard.
Property, equipment and investment property are depreciated each year, at rates calculated by reference to the residual possibility of using the assets, their related useful life and realisable value, except for land (incorporated in the asset value) and works of art, insofar as they have an indefinite life. In the case of land whose value is incorporated in the value of the property, equipment and investment property, the relevant separation is made only for free-standing buildings held. For assets acquired during the year, the depreciation is calculated on a daily basis starting on the date on which the asset was first used.
Property, equipment and investment property featuring an unlimited useful life cannot be depreciated.
Subsequent expenses relating to property, plant and equipment, already recorded in the accounts, are added to the book value of the asset when it is likely that the future economic benefits exceed the previously established ordinary performance of the asset.
At the end of each reporting period, an impairment test is carried out on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any costs to sell, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 210 "Depreciation and net impairment losses on property, equipment and investment property". If the reasons that led to the recognition of the loss cease to apply, a value recovery is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous impairment losses.
Property, equipment and investment property consisting of rights of use acquired under a lease, recorded in accordance with IFRS 16, are measured using the cost model and depreciated over the lease term and periodically subjected to impairment testing.

Derecognition criteria

The book value of property, equipment and investment property must be derecognised on its disposal, or when no future economic benefit is expected from its use.
The right of use deriving from lease agreements is eliminated from the Financial Statements at the end of the term of the lease agreement, which may be modified with respect to the initial recognition of the right of use, to take into account the exercise of any early extinction, renewal or purchase options not considered at the time of recognition.

7 - Intangible assets

Classification criteria

Intangible assets include long-term application software. The positive difference between the value of the assets and liabilities acquired following a business combination and the related purchase price of the combined business entity is recorded under intangible assets as goodwill.

Recognition criteria

Intangible assets are recorded at their purchase cost. The purchase cost may be adjusted for ancillary charges. The costs incurred for the purchase of intangible assets are recognised only if they are identifiable, their cost can be measured reliably, they can be controlled and they are able to generate future economic benefits. Otherwise, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred. The Banca Finnat Group, in view of the option envisaged by IFRS 16.4, decided not to apply the standard to any operating leases on intangible assets. Therefore, Intangible assets do not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Measurement and recognition criteria of income statement items

Following their initial recognition, intangible assets, including rights of use acquired under operating leases, are measured at cost, less the accumulated amortisation and any impairment losses. The "at cost" measurement method was deemed more appropriate than the "revaluation" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the depreciation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.

If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised; however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash generating unit whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item "270 Goodwill impairment losses". Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.

Regarding intangible assets other than goodwill, if there is evidence of impairment, an estimate is made each year of the recoverable amount of the assets. The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and its recoverable amount. If the recoverable amount of a specific intangible asset cannot be determined, then the asset must be assigned to the smallest independent cash generating unit (CGU), and this is referred to in estimating the recoverable value and comparing it with the book value, to establish the possible impairment loss.

Derecognition criteria

Intangible assets are derecognised when they are sold or when no future economic benefits are expected from their use.

<u>9 - Current and deferred tax</u>

Current and deferred income taxes, calculated in accordance with the applicable domestic regulations, are recorded in the income statement, except in the case of items directly charged or credited to equity. Tax provisions are calculated on a prudential basis and also include the risk provisions set aside in connection with the ongoing disputes.

In 2004, the Bank and its Italian-based subsidiaries joined the "domestic consolidated tax system", pursuant to Article 117/129 of the Consolidated Income Tax Act. The option was renewed in June 2019 for the 2019-2021 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the algebraic sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit of the company is determined.

Deferred taxation is calculated based on the tax effect of the temporary differences between the book value of the assets and liabilities and their tax value, resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary

deductible differences" those that, in the future, will determine deductible amounts. Deferred tax assets are recorded in the financial statements insofar as they are likely to be recovered, based on the capability of the Bank, and of the other Group companies belonging to the "domestic consolidated tax system", to generate taxable income, in the future, on a regular basis.
Deferred taxation is calculated based on the applicable rates, with respect to the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.
Deferred tax liabilities are calculated taking into account the rates expected when payment falls due.
If the deferred tax assets and liabilities relate to income statement items, the balancing entry is represented by income tax.
When deferred tax assets and liabilities concern transactions recorded in equity, without affecting the income statement, the directly balancing entry is recorded in equity, in the specific reserves, where provided (Valuation reserves).

Current tax assets/liabilities related to income tax for the year are recognised net of any tax paid in advance and any withholding tax incurred.

Deferred tax assets and deferred tax liabilities are recorded in the statement of financial position, respectively under "Tax assets" and "Tax liabilities".

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given
The sub-item of provisions for risks and charges under examination includes the provisions for credit risk recognised for commitments to lend funds and guarantees given that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, in principle, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets at amortised cost or at fair value through other comprehensive income, are adopted.

Other provisions
The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be made.
If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.
The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

11. Financial liabilities at amortised cost

Classification criteria
Due to banks, Due to customers and Securities issued include the various forms of interbank and customer deposits, repurchase agreements with the obligation to repurchase forward bonds and other funding instruments issued, net of any amounts repurchased.
This item also includes the payables recorded by the company as a lessee under leases.

Recognition criteria

The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.

Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.

With regard to lease payables, the lessee, on the commencement date of the contract, recognises the payable equal to the present value of the payments due for the entire duration of the contract, discounted using marginal lending rates identified by the Group equal to the interest rate that Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is equal to the asset consisting of the right of use in a similar economic environment.

Measurement criteria

Following their initial recognition, financial liabilities are measured at amortised cost, using the effective interest rate method.

Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.

Lease payables are updated, as indicated by IFRS 16, in the presence of contractual changes due to: change in the duration of the lease; change in the guaranteed residual value, change in the exercise of the purchase option or recalculation of fixed or variable payments.

Derecognition criteria

Financial liabilities are derecognised when they expire or are discharged. Derecognition takes place also where bonds previously issued are repurchased. The difference between the book value of liabilities and the amount paid to purchase them is posted in the Income Statement.

The replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

<u>12. Financial liabilities held for trading</u>

Classification criteria

This item includes financial liabilities, regardless of their type, classified in the trading portfolio.

In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Liabilities that originate from uncovered short positions generated by securities trading are also included.

Recognition criteria

These liabilities are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any directly attributable transaction cost or income.

Measurement criteria

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

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold, substantially transferring all related risks and benefits. The resulting difference is recorded in the income statement.

14 - Foreign currency transactions

Foreign currency transactions are recorded in Euros on initial recognition, applying the spot exchange rate in force at the date of the transaction.
When preparing the financial statements, items in foreign currencies are recorded as follows:

- monetary instruments are recorded at the spot exchange rate on the date of preparation of the financial statements, with foreign exchange differences recorded in the income statement under the item "Net trading expense";
- non-monetary instruments are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- non-monetary instruments measured at fair value are recorded at the spot exchange rate in force at the time of preparation of the financial statements.

Exchange rate differences relating to non-monetary items are recorded applying the accounting standards used for the gains and losses relating to the original instruments.

16 - Other information

1. Treasury shares
Treasury shares held are stated in the financial statements at cost, adjusting equity by a corresponding amount. No gains or losses are recorded in the income statement in connection with the purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in equity.
Any marginal cost incurred for the repurchase of treasury shares is recorded as a decrease in equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

2. Post-employment benefits
Post-employment benefits are determined as the Group's present obligation towards its employees, in terms of the related termination indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "Projected Unit Credit Method", whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Group needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the reporting period. Actuarial profits/losses deriving from defined benefit plans are stated in Equity under Valuation reserves. All other components of the provisions for post-employment benefits accrued during the year are posted in the income statement under item 190. Administrative expenses: a) personnel expenses in "Post-employment benefits", for the amounts paid to the INPS Treasury; "payments to external pension funds: defined contribution" for payments made to Supplementary Retirement Plans and "provisions for post-employment benefits" for the adjustment of the provisions present in the company.

3. Recognition of revenue and costs

Revenue
Revenue is gross flows of economic benefits deriving from the ordinary activity of the company, when these flows determine increases in equity other than increases deriving from the contribution of shareholders. Revenue is recognised in the financial statements on an accruals basis.
In particular, fee and commission income and other income from services are recognised in the financial statements only if all the following criteria are met:
1) the contract with a customer is identified;

2) performance obligations are identified;
3) the transaction price is determined;
4) the transaction price is allocated to the performance obligations;
5) revenue is recognised when (or as) the entity satisfies a performance obligation.

Revenue configured as variable consideration is recognised in the income statement if it can be reliably estimated and only if it is highly probable that this consideration must not be reversed from the income statement in future periods in whole or in a significant part.

In the event of a strong prevalence of uncertainty factors related to the nature of the consideration, it will be recognised only when this uncertainty is resolved. Factors that could increase the likelihood and extent of the downward adjustment of revenue include, among other things, the following:

a the amount of the consideration is very sensitive to factors beyond the control of the entity (e.g.: market volatility);
b experience with the type of contract is limited;
c it is usual to offer a wide range of price concessions or to change the terms and conditions of payment of similar contracts under similar circumstances;
d the contract has a large number and a wide range of possible amounts of remuneration.

The consideration for the contract, the collection of which must be probable, is allocated to the individual obligations arising from the contract. The allocation must be based on the selling prices that would have been applied in a transaction involving the individual contractual commitment (standalone selling price). The best indication of the standalone selling price is the price of the good or service that can be observed when the company sells the good or service separately in similar circumstances and to similar customers. If the standalone selling price is not directly observable, it must be estimated.

In the event that the customer obtains a discount for the purchase of a bundle of goods or services, the discount must be allocated between all the performance obligations provided for in the contract. The discount can be attributed to one or more obligations if all of the following criteria are met:

a. the entity normally sells separately each distinct good or service;
b. the entity normally also sells separately the bundle(s) of some of the distinct goods or services, giving a discount on the standalone selling prices of the goods or services of each bundle, and the discount is substantially the same discount provided for in the contract.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations); an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits. Depending on the timing of the satisfaction of the performance obligations, the revenue can be recognised:

- when control is passed at a certain point in time; factors that may indicate the point in time at which control passes include:
  - the entity has a present right to payment for the asset;
  - the customer has legal title to the asset;
  - the entity has transferred physical possession of the asset;
  - the customer has the significant risks and benefits related to the ownership of the asset;
  - the customer has accepted the asset.
- or, alternatively, over the time provided for the satisfaction of the performance obligations, if one of the following criteria is met:
  - the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
  - the entity's performance creates or enhances an asset that the customer controls or from which it can derive all the benefits (potential cash flows);

- o the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Interest is recognised on an accruals basis that considers the effective yield of the asset.
The positive economic components accrued on financial liabilities are recognised under the item "Interest and similar income".
Default interest is recorded under the item "Interest and similar income", when it is actually collected.
Dividends are recorded in the accounts in accordance with the shareholders' right to receive payment.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations): an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits.

Disclosure required by IFRS 15 (Revenue from Contracts with Customers).

Nature of the services
A description of the main businesses from which the Group generates its revenue from contracts with customers, distinguished by business segment, is provided below.

Banca Finnat
<u>Private banking and Banking Services</u>
The main services provided to the private customers of the Bank by the private bankers of the Sales Department include the revenue deriving from contracts for individual portfolio management, trading, trading with advisory services, placement, and all agreements associated with a current account (cash services, payments, money management, debit cards, credit card loans, home banking, etc.) All performance obligations are defined by formalised contracts. If the contracts include the performance of distinct services, the revenue pertaining thereto is:

- recorded separately on the basis of standalone sale prices defined contractually (as in the case of fees for services of individual portfolio management, trading and order execution on financial instruments, placement and of fees for the transmission of documents, reports and communications);
- recorded on the basis of the mandatory service performed if the services cannot be separated within the context of the contract because one constitutes the input of the other (as in the case of the combination of the advisory and securities custody services) or because they are interdependent, not separable and not sold individually (as in the case of banking services associated with a current account).

Depending on the way the services are performed, revenue is recorded accurately (e.g. in the case of fees for trading, collection and payment and subscription) or, in case of services performed over time, based on the value that the services completed until the considered date have for the customer, corresponding to the amount provided by the contract.
Individual portfolio management contracts provide for the debiting (with annual or less than annual frequency) of variable overperformance fees with respect to reference parameters. The determination of these fees depends on the result achieved at the end of the reference period, which cannot be estimated on the occasion of the quarterly measurements, since it is not highly probable that when, subsequently, the uncertainty associated with the variable consideration is resolved, there will be no significant downwards adjustment of the amount of the recorded cumulated revenue; these fees are affected by external factors with respect to the management activity of the bank (such as market volatility and the performance of the reference parameter).

Institutional customers

The main services provided by the Institutional Customers Organisational Unit of the Bank include: the asset management services performed on appointment by UCIs, the management and trading services targeted to corporate customers and to qualified counterparties, the services targeted to listed issuers (specialist operator services, qualified operator services, analyst coverage, centralised management, etc.).

All performance obligations are defined by formalised contracts. Management and trading services are recognised according to the same rules envisaged for private customers.

Services directed to listed issuers are carried out over time, because customers benefit from the activity carried out continuously and they are consequently recognised based on the value for customers of the services transferred until the date considered on the basis of the amount the Bank is entitled to receive (with the exception of the service of financial analysis and the production of research as part of the analyst coverage service, whose revenue is recognised at the date of issue of the research).

Centralised management services can be sold on the basis of individual modules or as packages; in this case, the value of the service provided consists of the single fee envisaged for the different services included in the package and any discount with respect to the acquisition of the individual services is allocated proportionately among the different mandatory services performed. If the contracts include services whose revenue is recognised exactly at the time of execution, the portion referred to these services is recorded at the time of performance or, if the services were not performed within the reference period of the contract, at its periodic expiration.

Advisory and Corporate Finance

"Advisory services on financial structure" rendered to corporate customers by the Advisory & Corporate Finance Organisational Unit of the Bank to provide assistance to customers in major corporate finance matters (mergers & acquisitions, listings and IPOs, company appraisals, industrial and financial restructuring, project financing, strategic consultancy), are defined by formalised contracts. Depending on the type of assistance provided, the contract may entail the performance of different activities, which, however, are necessary inputs for the achievement of the objective provided for by the contract and, therefore, are inseparable and included in a single mandatory service. This service is considered completed over time regardless of the envisaged invoicing timelines because: the customer benefits from the assistance service rendered by the Bank on a continuous basis; performance of the activity does not present an alternative use for the Bank, being carried out exclusively for the Customer according to his/her specific characteristics and requirements; any adaptation of the activities performed for another use is subject to practical limitations because the specifications of the activities carried out are unique for that Customer; throughout the duration of the agreement, the Bank is entitled to require payment of the service completed up to the date considered even if the contract is terminated by the Customer for reasons other than the Bank's failure to perform. However, if the assistance contract requires issuing a declaration of appropriateness for the purposes of listing, the connected fees are recognised exactly, as the Customer receives the benefits deriving from fulfilling the obligation to obtain listing on the market only on the issue date.

Any success or performance fees are instead recognised only in case of formalisation of the transactions and when the conditions underlying their ascertainment are met; these are variable fees which the Bank cannot determine in a highly probable manner before the "resolution of the uncertainty" associated with the fees themselves, being conditioned by factors on which the Bank has no control (such as actions performed by third parties: customers, investors or lenders).

InvestiRE SGR S.p.A.

The purpose of the real estate asset management company is to manage professionally and enhance the value of the Assets of the Funds managed, carrying out its own real estate initiatives, in accordance with the investment policies of each Fund. Within the scope of its activities, the asset management company identifies and carries out the investments that by nature and intrinsic characteristics are appropriate to achieve the objectives of the Funds, assessing the overall risks of the portfolio. Within the scope of its activities, the asset management company also assesses and manages liquidity risk, manages the accounting of the Funds and generally performs all the activities necessary for the purpose of the fund, identified in the Management Regulation. The mandatory service identifiable in the formalised contracts is the management and enhancement of the value of the Fund; the different services performed are similar to each other and they share the way the benefit is transferred to the customer. Therefore, they are considered a single mandatory service. The management fees, development fees and sale fees provided for in the contracts are recognised progressively according to the elapsing of time, assessing progress with the output-based method; revenue is consequently recognised on a quarterly basis on an accrual basis. Variable success fees, whose liquidation is subordinated to meeting specific conditions set forth in the regulation, are recognised upon expiration of the lifetime for the Fund (or at the shorter time interval envisaged by the regulation): however, if the requirements are met, an early recognition of the success fees may be considered only if it is highly probable that the objective defined in the regulation is achieved. In particular, the portion of the performance fees on the sales of the Public Real Estate Fund AIF (FIP), not liquidated immediately, is recognised early with respect to the definitive accrual (envisaged on the date of liquidation of the fund) if at the end of each reporting period it is deemed highly likely that there will be no significant downwards adjustment of the amount of the cumulated revenue recognised and otherwise after accurately considering all "limitations to the estimates of the variable consideration" envisaged by IFRS 15.57. The company deems that it has such elements as to be able to make reasonable estimates on the probability that the agreed variable consideration will be paid at the expiration of the fund and, on the occasion of each half-yearly closing of the fund, it verifies the conditions envisaged in a specific analysis model in order to confirm the recognition of the variable consideration in question and the related amount.

Natam SA

Natam, a Luxembourg-based asset management company, performs, in favour of the managed UCIs: a) collective management services, such as investment management, central administration and registry services, marketing and sales services and risk management services; b) ancillary services, such as governance, document production and IT support management services. The company may delegate one or more of the activities performed to third parties. All services are provided for by formalised contracts. The services per point a) follow the same model for transfer to the customer and they are not sold separately by the Company. Consequently, they are considered a single performance obligation. The service is performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised on a quarterly basis according to the amount the company is contractually entitled to demand from the customer, corresponding to the value for the customer of the services completed until the date considered. Any overperformance fees are recognised only when they definitively accrue because the amount of the consideration is sensitive to factors outside the entity's control, and in particular to market volatility and to third parties' judgement and actions and, therefore, they cannot be estimated on a quarterly basis because it is not highly probable that there will be significant downwards adjustments of the consideration accrued on the occasion of the quarterly reports.

The services per letter b) constitute distinct mandatory services whose price consists of the consideration provided for contractually for each service because they correspond to prices the company could apply in case of separate sale of the individual services to the customer. The services are performed and recorded over time as indicated for the services per letter a) excepting services that entail the production of documents which are recognised exactly at the time of performance because they refer to the production of material whose benefit to the customer is provided at the time of its production and delivery.

Finnat Fiduciaria S.p.A.

The company provides customers with services pertaining to asset planning, trusteeship of financial assets and of corporate assets, and performs guarantee functions.

All the services are formalised by contract.

The services are performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised according to the amount the company is contractually entitled to demand from the customer, corresponding to the value for the customer of the services completed until the date considered.

Finnat Gestioni S.A.
The company provides customers with the individual portfolio management service. The recognition of the fees follows the procedures envisaged for the same service performed by the Bank.

Quantitative information is provided:

- in part B - Information on the statement of financial position in section 4 - Financial assets valued at amortised cost, quantitative information is provided regarding the assets/liabilities from contracts with customers not debited in the current accounts based on a breakdown by type of service.
- in part C - Information on the income statement in section 2 - Commissions, quantitative information is provided regarding the revenue from contracts with customers based on a breakdown by type of service.
- in part L of the Consolidated Financial Statements - Segment information provides quantitative information relating to the revenue from contracts with customers, broken down by Group business segments represented on the basis of a breakdown by type of service and a breakdown by assessment method.

Costs
Costs are recognised when they are incurred in compliance with the criterion of correlation between costs and revenue that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenue are immediately recognised in the Income Statement.
Costs directly attributable to financial instruments at amortised cost, determinable from the start, regardless of the moment when they are paid, are included in the Income Statement by applying the effective interest rate.
Interest is recognised on an accruals basis that considers the effective yield of the asset.
Negative income components accrued on financial assets are recognised in the item “Interest and similar expense”, an item that also includes interest expense on lease payables (while Interest and similar income includes interest from subleases).

Rents payable for property leases, company vehicles and other assets falling within the scope of IFRS 16 are not recognised under Administrative expenses (as was the case under the previous IAS 17); against the recognition of the rights of use deriving from lease agreements, impairment losses are recorded due to the depreciation of the right of use calculated on a straight-line basis according to the duration of the contract or the useful life of the right itself, while, against the recognition of the payable for the fees due for the rights of use, accrued interest expense is recorded.
Administrative expenses (Personnel expenses and Other administrative expenses) include short-term lease payments and low-value lease payments as well as variable payments for lease payments not included in the valuation of lease payables and the VAT component, if non-deductible.

"Sundry expenses" also include the depreciation of leasehold improvements acquired through leases classified as "Other assets".

4. Classification of financial assets
The classification of financial assets in the three categories envisaged by IFRS 9 depends both on the business model with which the financial instruments are managed and on the contractual characteristics of the cash flows of the financial assets (or SPPI Test). The combination of these two elements results in the classification of financial assets as follows:

- Financial assets at amortised cost: assets that pass the SPPI test and fall within the Held to Collect (HTC) business model;

- Financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Held to Collect and Sell (HTCS) business model;
- Financial assets at fair value through profit or loss (FVTPL): this is a residual category that includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of the contractual flows (failing the SPPI test).

SPPI test

The Standard requires financial assets to be classified also on the basis of the characteristics of the contractual cash flows. The SPPI test requires the determination of whether the contractual cash flows consist of Solely Payments of Principal and Interest on the principal amount outstanding) (IFRS 9 - B4.1.7).
Contractual cash flows may be consistent with the definition of a "basic lending arrangement" even if the credit risk will be offset. Moreover, the interest rate can also include an additional fee that takes into account other risks such as liquidity risk or administrative costs. The possibility of obtaining a profit margin is also consistent with the definition of "basic lending arrangement" (IFRS 9 - B4.1.7A).
Contractual features that introduce an exposure to risks or volatility unrelated to "basic lending arrangements", such as exposure to changes in equity prices or commodity prices, do not meet the definition of Solely Payments of Principal and Interest on the principal amount outstanding.
Therefore, the SPPI test is aimed at identifying all the contractual characteristics that may show payments other than those relating to the principal and interest accrued on the principal amount outstanding.
Only if the test is passed can the instrument be accounted for, depending on the business model identified, at amortised cost or at fair value through OCI.
The test will only be necessary if the adopted business model is "Collect" or "Collect and Sell". Conversely, if the instrument is managed according to the residual business model, the instrument will be accounted for at fair value regardless of the characteristics of the contractual cash flows.

Business Model

The business model represents the way in which the Bank manages its financial assets, i.e. with which it intends to realise the cash flows of debt instruments. It reflects the way in which groups of financial assets are collectively managed to pursue a specific business objective and does not depend on management's intentions with respect to a single instrument but is set at a higher level of aggregation.
The definition of the Group's business model takes into consideration all the useful elements that emerge both from the strategic objectives defined by the Bank's top management and from elements relating to the organisational structure of the structures in charge of the management of assets and the methods for defining the budget and evaluating their performance. The method of management is defined by the top management through the appropriate involvement of the business structures. The business model does not depend on the intentions of the management with respect to a single instrument, but rather refers to the way in which homogeneous portfolios are managed in order to achieve a given objective.
The business model is defined on the basis of several elements, such as (IFRS 9 - B4.1.2B):

- How the performance of the business model and the financial assets held within that business model are assessed and reported to the entity's key executives;
- The risks that affect the performance of the business model and the ways those risks are managed;
- How managers of the business are remunerated - e.g. whether the remuneration is based on the fair value of the assets managed or on the cash flows collected.

The drivers used to assess the performance of the various business models identified and the type of reporting produced are elements to be considered for the correct attribution of the business model. In particular, performance and reporting could be based on information on fair value or interest received, depending on the purpose for which the assets are held.

Adequate monitoring, escalation and reporting is essential to ensure proper management of risks that may affect portfolio performance.
The possible business models set out in the Standard are as follows:

- “Held to collect”: requires the realisation of contractually envisaged cash flows. This business model is attributable to assets that will presumably be held until their natural maturity (IFRS 9 - B4.1.2C).
- “Collect and Sell”: envisages the realisation of cash flows as provided for in the contract or through the sale of the instrument. This business model is attributable to assets that may be held to maturity, but also sold (IFRS 9 – B4.1.4).
- “Sell”: this model is directed at realising cash flows by selling the instrument. This business model is attributable to assets managed with the objective of realising cash flows through sale - known as "trading" - (IFRS 9 – B4.1.5).

The measurement of the business model to be attributed to the portfolios is carried out on the basis of the scenarios that could reasonably occur (IFRS 9 B4.1.2A), considering all relevant and objective information available at the measurement date.
In the event that the cash flows are realised in a way that is different from initial expectations considered in the definition of the business model, this realisation will not:

- change the classification of the remaining assets held in that business model;
- give rise to a prior-period error in the entity's financial statements.

However, information on how the cash flows of the target portfolio were realised in the past, together with other relevant information, will necessarily have to be taken into account prospectively when classifying the subsequent purchase/recognition of a new asset in the financial statements. The business model must be attributed at the level of the portfolio, sub-portfolio or individual instrument, where these best reflect the way assets are managed (IFRS 9 - B4.1.2).

5. Methods for determining amortised cost

The amortised cost of a financial asset or a financial liability is in general the amount at which the financial asset or financial liability is measured at initial recognition minus principal reimbursements, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any impairment loss.
The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates).
If it is not possible to estimate reliably the cash flows or the expected life, the Group uses the expected contractual cash flows for the entire period of validity of the contract.
Subsequent to initial recognition, the amortised cost allows to allocate revenue and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the measured financial assets/liabilities have a fixed or variable rate.
For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan.
For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, they are linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the repayment plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry.
Measurement at amortised cost is carried out for financial assets and liabilities at amortised cost (loans and receivables with/due to banks and loans and receivables with/due to customers) and for financial assets at fair value through other comprehensive income. For the latter, the amortised cost is calculated for the sole purpose of recognising in the income

statement the interest based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific equity reserve.

6. Methods for determining impairment losses

IFRS 9 envisages a model for determining prospectively impairment losses, which requires the immediate recognition of losses on receivables even if only expected, contrary to IAS 39, which requires, for their recognition, the examination of past events and current conditions.

At the end of each reporting period, in accordance with IFRS 9, financial assets other than those at fair value through profit or loss are measured to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to lend funds and guarantees given that fall within the scope of impairment pursuant to IFRS 9.

In the event that such evidence exists (known as "impairment evidence"), the financial assets in question - consistently, where existing, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in stage 3. Against these exposures, represented by financial assets classified - in accordance with the provisions of Bank of Italy's Circular no. 262/2005 - in the categories of bad loans, unlikely to pay and past due by more than ninety days, impairment losses equal to the full lifetime expected credit loss must be recognised.

For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary, instead, to check whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this test from the point of view of classification (or, more properly, staging) and measurement, are as follows:

- where such indicators exist, the financial asset is included in stage 2. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of impairment losses equal to the full lifetime expected credit loss of the financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of "significantly increased" credit risk no longer exist - the changed forecast period for calculating the expected loss;
- where such indicators do not exist, the financial asset is included in stage 1. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of 12-month expected credit losses for the specific financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of "significantly increased" credit risk arise - the changed forecast period for calculating the expected loss;

With regard to the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being measured in stage 2), the elements that - pursuant to the standard and its operational breakdown carried out by the Banca Finnat Euramerica Group - constitute the main determinants to be taken into consideration are as follows:

Quantitative criteria:

a) in the event of a worsening of the Lifetime Probability of Default compared to the origination of the loan, differentiated by type of customer (retail and corporate) and by rating class, as shown below:

Changes in Probability Of Default

Rating class	Retail customers	Corporate customers
AAA	250%	300%
AA	250%	300%
A	250%	300%
BBB	250%	300%
BB	200%	200%
B	200%	100%
CCC	50%	80%
CC	30%	30%
C	30%	30%

b) for exposures backed by collateral, where there is a 50% decrease in the value of the collateral compared with its value at the date of origin;
c) exposures with a past due date of more than 30 days (even partial) recognised at the report date in the monthly survey (or in the previous 5 monthly surveys) regardless of the counterparty and without tolerance thresholds;
d) on-demand loans with both of the following irregular trends:
   1) presence of operating tension: average percentage of use of the credit line granted, calculated over the last 180 days, of more than 80%;
   2) absence of changes in assets in the last 180 days.

Qualitative criteria:

a) forborne performing exposures in relation to a financial difficulty of the debtor;
b) exposures with irregular trends monitored by the Bank's Credit Committee;
c) exposures to counterparties for which prejudicial information has been acquired. This requirement is to be considered valid also for prejudicial information relating to the guarantors.

A financial asset is considered non-performing and allocated to stage 3 if one or more events that have a negative effect on expected cash flows occurred. In particular, the observable data relating to the following events constitute evidence of impairment of the financial asset:

- significant financial difficulties of the debtor (also based on the financial statement analysis such as, for example, negative changes in the debt ratio or the capacity to cover financial expenses);
- breach of contractual clauses (such as a default or past-due event of more than 90 days);
- classification in category "D - Defaulted" within the CSE outsourcing rating model;
- a lender having granted a concession to the debtor - for economic or contractual reasons relating to the debtor's financial difficulty - that the lender would not otherwise consider;
- disappearance of an active market for that financial asset because of financial difficulties;
- purchase or issue of a financial asset at a deep discount that reflects the incurred credit losses;
- likelihood that the debtor will declare bankruptcy or be subject to another financial reorganisation procedure.

A performing financial asset at the time of initial recognition and for which one or more of the above events occur must be considered non-performing and placed in stage 3; the allocation in this bucket envisages that:

- the allowance for doubtful receivables is determined as an amount equal to full lifetime expected credit losses of the financial asset;
- interest income is calculated based on the amortised cost i.e. gross book value less the allowance for doubtful receivables;
- the time value is determined, and the expected date of collection is estimated.

For these financial assets, the method for determining the loss is calculated in accordance with IFRS 9 and in line with the provisions of the credit regulations.

Once the allocation of exposures to the various stages of credit risk has been defined, the determination of expected credit losses (ECL) is carried out, at the level of individual transactions or security tranche, starting from the IRB/management approach, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the requirements of IFRS 9.
The determination of the values and calculation methods are detailed in the appropriate Group Policy.

7. Write-offs
With regard to non-performing loans, it is noted that the gross book value must be reduced if there are no longer reasonable expectations of recovering this financial asset in its entirety or in part. The "write-off" may occur before legal actions for the recovery of the financial asset have ended and does not necessarily involve the waiver of the legal right to recover the receivable by the bank.
The Banca Finnat Group resorts to the cancellation - in whole or in part - of uncollectable financial assets and proceeds to the consequent write-off of the residual value not yet adjusted in the following cases:

- sale of financial assets;
- partial or complete waiver of the receivable claimed following initiatives deriving from specific agreements concluded between the Bank and its customers/debtors;
- irrecoverability of the receivable when, following the actions taken by the Bank, the exposure is not recoverable from certain and precise elements (for example: when in the context of an insolvency procedure it is established that the unsecured exposures will not be repaid; when the debtor is untraceable or is destitute; when it is impossible to initiate actions to recover receivables);
- when, without waiving the credit, there are reasonable elements to indicate that the receivable is not recoverable and the possibilities of recovery are very marginal. In this case, the write-off can only affect the portion of credit covered by provisions.

8.Acquired or originated impaired financial assets
Acquired or originated impaired financial assets (Purchased Originated Credit Impaired - "POCI") are credit exposures that are non-performing upon initial recognition.
These exposures may arise both from the purchase, from third parties, of non-performing credit exposures and from the restructuring of non-performing exposures that have led to the disbursement of new finance that is significant in absolute or relative terms in proportion to the amount of the original exposure.
These financial instruments follow the same initial classification rules as other financial assets, to be carried out on the basis, on the one hand, of the contractual characteristics of the related cash flows (SPPI Test) and, on the other, of the management intent (business model) for which the instruments in question are held. In the event that the financial instruments in question, based on the combined effect of the two drivers mentioned above, fall into the categories valued at amortised cost or at fair value with an through other comprehensive income, they must be identified, pursuant

to IFRS 9, as “Purchased or Originated Credit Impaired Assets” (“POCI”). In case of failure of the SPPI Test, the financial instruments must be recognised at FVTPL.

The "acquired or originated non-performing financial assets" are conventionally classified initially as part of Stage 3 since the expected credit loss must always be calculated considering a time horizon equal to the residual duration. If, following an improvement in the creditworthiness of the counterpart after initial recognition, the assets are found to be "performing", they can be reclassified as part of Stage 2.

In line with the criteria established by the Policy of the Bank currently in force, the Banca Finnat Group defines the application choices regarding Originated Credit Impaired Assets - POCI, as follows:

- loans granted to customers already entrusted by the Group with a high credit risk profile ("non-performing assets").
  The Banca Finnat Group believes that POCI is present only where the new loan disbursed exceeds 30% of the existing exposure and the economic conditions (interest) are significantly worse than those in place. In other words, these are cases in which the new credit exposure is the result of the derecognition of a previous credit relationship to which substantial contractual changes have been made.

- loans granted to new customers with a high credit risk profile.
  In cases of loans granted to new customers with a high credit risk profile ("non-performing assets"), the issue of classification is closely related to whether or not the SPPI test is passed. If the SPPI test is passed, the financial asset will be valued at amortised cost or fair value with through other comprehensive income based on the business model adopted and will be considered a POCI.

At 31 December 2021, there are no acquired or originated impaired financial assets in the Group's portfolio.

9. Assets/Liabilities at Fair value

The Bank did not use the fair value option referred to in IFRS 9: therefore, the relevant asset and liability items in the statement of financial position and income statement are not shown in the financial statements as they are not measured.

A.3 – Information on transfers between portfolios of financial assets

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. However, such cases are expected to be highly infrequent.

A.3.1 - A.3.2 - A.3.3 - No transfers were made between portfolios of financial assets during the year due to a change in the business model.

A.4 Information on fair value

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

A.4.2 - Processes and sensitivity of evaluations

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Group are shown below.

The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (Level 1), or on internal valuation models, in the case of all other financial instruments.

If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation techniques the purpose of which is to establish the price of a hypothetical independent transaction, motivated by normal market consideration, at the date of valuation.

Regarding the valuation techniques, the following are taken into account:

- if available, the prices of recent transactions involving similar instruments, suitably adjusted to reflect the changed market conditions and the technical differences between the valued instrument and the instrument selected as similar in nature (comparable approach);
- valuation models widely used by the financial community, which have proved over the years capable of producing reliable estimates of prices, with respect to the current market conditions (Mark-to-Model).

Financial instruments classified as Level 1 instruments include, as a general indication:

- stocks and bonds listed on active markets. The principal 'price source' of securities listed on regulated markets is the relevant stock exchange, and generally corresponds to the price published by the regulated market on which the security is negotiated. For financial instruments listed on the Italian Stock Exchange (Borsa Italiana), the value is determined using the posted price.
- UCIs with official prices expressed by an active market; open-ended UCIs (including ETFs) for which a price listed on an active market is available at the measurement date;
- foreign exchange spot transactions;
- derivatives for which prices are available on an active market (e.g., futures and options).

Lacking prices on an active market, the fair value of financial instruments is calculated according to the "comparable approach" (Level 2), based on the use of valuation models making use of parameters that can be directly observed on the market. In this case, the valuation is not based on the prices of the actual financial instruments being valued, but on prices or credit spreads taken from the official listings of substantially similar instruments, in terms of risk-yield factors, using a certain calculation method (pricing model). This approach translates into the search for transactions on the active markets involving instruments that, in terms of their risk factors, are comparable with the instrument measured.

The valuation techniques used entail:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices - with respect to the same financial instrument - concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

Financial instruments classified as Level 2 instruments include, as a general indication:

- UCIs for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions - concerning the same financial instrument - between independent counterparties, account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives - if they are not traded on regulated markets - are known as Over The Counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

Lastly, the determination of the fair value of certain types of financial instruments is based on valuation models that require the use of parameters that cannot be directly observed on the market and which, therefore, require estimates and assumptions by the valuer (Level 3).

Financial instruments classified as Level 3 instruments include, as a general indication:

- unlisted equity instruments. Equity investments held at cost are also conventionally included among Level 3 instruments;
- UCIs lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-ended UCIs whose last measured NAV was not reported near the measurement date and the closed-ended UCIs whose fair value is derived exclusively on the basis of the NAV. For these UCIs, the NAV used for measurement must prudentially be adjusted to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV. That adjustment is not considered for investments with a lock-up clause in UCIs managed directly by Group companies, investments which are part of a strategy aimed at aligning interests with those of investors to promote new funds;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

Level 3 instruments also include financial instruments priced by the Bank and the other Group companies based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

A.4.3 - Fair value hierarchy

With the introduction of IFRS 13, the rules for measuring the fair value previously included in multiple accounting standards were set out in a single standard.
The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial instrument, IFRS 13 refers to the concept of hierarchy of the measurement criteria used, which was at the time introduced by an amendment to IFRS 7 that required the company to classify the measurements based on a hierarchy of levels that reflects the significance of the inputs used in the measurement of financial instruments.

This classification aims to establish a hierarchy in terms of reliability of fair value depending on the degree of discretion applied by enterprises, giving priority to the use of parameters observable on the market reflecting the assumptions that market participants would use when pricing the asset/liability.

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by (unadjusted) quoted prices in active markets - as defined by IFRS 13 - for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the assets or liabilities subject to measurement, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

The choice between these types is not optional but must be done in a hierarchical order, since priority is given to official prices on active markets (level 1); in the absence of such inputs, we use valuation techniques based on parameters that cannot be observed on the market (level 2); with a lower and more discretionary priority, the fair value of assets and liabilities calculated with valuation techniques based on parameters that cannot be observed on the market (level 3).

The valuation method and, as a result, transfers among the levels of the fair value hierarchy of a financial instrument are altered only if there are significant changes in the market or subjective conditions of the issuer of the financial instrument.

IFRS 13 contemplates that, as already indicated by IFRS 7, the instruments at amortised cost are provided with fair value disclosure.

Within the Group, the following approaches were identified for calculating the fair value:

Assets at amortised cost
For financial assets recognised in the financial statements at amortised cost, classified in the accounting category of "Financial assets at amortised cost" (loans and receivables with banks and customers) in particular:

- for medium/long-term "performing" loans (mainly mortgages and leases), the fair value is determined on the basis of cash flows, suitably adjusted for expected losses, on the basis of the PD and LGD parameters. These cash flows are discounted on the basis of a market interest rate adjusted to take account of a premium deemed to express risks and uncertainties;

- for "non-performing" loans (bad loans, unlikely to pay, past due), the fair value is assumed to be equal to the net book value. In this regard, it should be noted that the market for non-performing loans is characterised by a significant illiquidity and a high dispersion of prices according to the specific characteristics of the loans. The absence of observable parameters that could be used as a reference for measuring the fair value of exposures comparable to those being measured could therefore lead to a wide range of possible fair values; for this reason, for the purposes of financial reporting, the fair value of non-performing loans is shown as the book value;
- for debt securities classified in the "Loans and receivables with banks or customers" or the "Securities issued" portfolio, the fair value was determined by using prices obtained on active markets or by using valuation models, as described in the previous paragraph "Fair value levels 2 and 3: valuation techniques and inputs used".
- The fair value of loans and receivables with customers and banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined.

Due to banks and customers
These are entered at their nominal value that is usually equal to the amount received initially by the Bank. This value can be reasonably approximated to the fair value in that the Bank can meet its payables thanks to high levels of capitalisation.

Securities issued
The item concerns the bonds issued by the Bank and recorded at amortised cost. The fair value is determined through the use of a model that takes into account the indexation parameter of the loan and a pre-established spread.

A.4.4 Other information

The Group does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of IFRS 13.

Quantitative information

A.4.5 Fair value hierarchy

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

Assets/Liabilities at fair value	**31.12.2021**			**31.12.2020**		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets at fair value through profit or loss	3,651	26,084	5,724	2,660	23,994	1,213
a) financial assets held for trading	2,924	5,955	448	2,021	4,826	-
b) financial assets at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	727	20,129	5,276	639	19,168	1,213
2. Financial assets at fair value through other comprehensive income	330,357	500	15,012	330,147	-	11,678
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	334,008	26,584	20,736	332,807	23,994	12,891
1. Financial assets held for trading	989	176	900	-	40	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	989	176	900	-	40	-

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

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 other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) Financial assets at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	1,213	-	-	1,213	11,678	-	-	-
2. Increases	11,700	7,515	-	4,185	3,551	-	-	-
2.1. Purchases	11,691	7,514	-	4,177	-	-	-	-
2.2. Profits recognised to:	9	1	-	8	3,551	-	-	-
2.2.1. Income Statement	9	1	-	8	-	-	-	-
- of which capital gains	9	1	-	8	-	-	-	-
2.2.2. Equity	-	X	X	X	3,551	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	7,189	7,067	-	122	217	-	-	-
3.1. Sales	7,067	7,066	-	1	-	-	-	-
3.2. Reimbursements	-	-	-	-	180	-	-	-
3.3. Losses recognised to:	122	1	-	121	37	-	-	-
3.3.1. Income Statement	122	1	-	121	-	-	-	-
- of which capital losses	118	-	-	118	-	-	-	-
3.3.2. Equity	-	X	X	X	37	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	5,724	448	-	5,276	15,012	-	-	-

Items 2.1 purchases and 3.1 sales a) Financial assets held for trading equal to 7,514 thousand euros and 7,066 thousand euros, respectively, concern the Bank and relate to the value of the purchase from Covivio and simultaneous sale to Enpaf of 8.9% of the share capital of Investire SGR S.p.A. the amounts include Earn Out. The transaction is illustrated in detail in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations/Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian) published on 21 January 2021.

Item 2.1 purchases c) Financial assets mandatorily measured at fair value relates to the purchase of the PRS Italy fund by the subsidiary InvestiRE SGR S.p.A. for 4,170 thousand euros.

Item 2.2.2. Profits recognised in equity of financial assets valued at fair value through other comprehensive income of 3,551 thousand euros relate to the valuation of the SIA S.p.A. shares owned by the Bank.

Item 3.2. Reimbursements of 180 thousand euros relate to the Real Estate Roma Olgiata shares owned by the Bank and relate to the partial repayment of a capital payment.

Item 3.3.1. Losses attributed to: the income statement mainly concerns the capital loss recorded by the Bank on the Apple Fund for 106 thousand euros and on the Carige shares owned through the FITD Voluntary Scheme for 12 thousand euros for the assets compulsorily measured at fair value.

Item 3.3.2. Losses attributed to: Shareholders' equity of 37 thousand euros relates to the write-down of the CSE shares owned by the Bank.

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

At the reporting date in question, there are no balances recognised to the item in question.

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

Assets/Liabilities not at fair value or at fair value on a non-recurring basis	**31.12.2021**				**31.12.2020**			
	BV	**L1**	**L2**	**L3**	**BV**	**L1**	**L2**	**L3**
1. Financial assets at amortised cost	1,339,422	752,318	2,588	602,748	1,306,394	863,624	-	464,941
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	1,339,422	752,318	2,588	602,748	1,306,394	863,624	-	464,941
1. Financial liabilities at amortised cost	1,651,310	-	-	1,651,310	1,552,963	-	-	1,552,963
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	1,651,310	-	-	1,651,310	1,552,963	-	-	1,552,963

Key:
BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

The Bank and the other Group companies have never carried out fair value measurements on a non-recurring basis for assets and liabilities.

A.5 Information on day one profit/loss

The Bank and the other Group companies have not recorded in the year under review any positive/negative items arising from the initial fair value measurement of financial instruments.

Part B – Information on the statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31.12.2021	Total 31.12.2020
a) Cash	646	548
b) Demand deposits at Central Banks	227	163
c) Current accounts and demand deposits with banks	114,494	71,944
Total	115,367	72,655

Starting from the financial year in question, as envisaged by the 7th update of Bank of Italy Circular no. 262/2005, the item also includes current accounts and demand deposits with banks previously allocated to item 40. Financial assets at amortised cost: a) loans and receivables with banks. Therefore, the balance at 31 December 2020 was reclassified. At 31 December 2021, total net impairment losses for credit risk on current accounts and demand deposits with banks amounted to 99 thousand euros (of which 27 thousand euros in the year in question).

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

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	506	300	-	553	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	506	300	-	553	-	-
2. Equity instruments	1,055	-	-	1,341	-	-
3. UCI units	45	5,653	-	52	4,824	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,606	5,953	-	1,946	4,824	-
B. Derivatives						
1. Financial derivatives	1,318	2	448	75	2	-
1.1 held for trading	1,318	2	448	75	2	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	1,318	2	448	75	2	-
Total (A+B)	2,924	5,955	448	2,021	4,826	-

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

The financial assets held for trading refer exclusively to the Bank and amounted to 9,327 thousand euros. The balance at 31 December 2020 amounted to 6,847 thousand euros.

The item "A.1. Debt securities" equal to 806 thousand euros (553 thousand euros at 31 December 2020) is made up in Level 1 almost exclusively of bonds for 505 thousand euros and in Level 2 of the Net Insurance bond 28/9/31.

Item "A.3. UCI units" amounting to 5,698 thousand euros (4,876 thousand euros at 31 December 2020) includes in Level 1: New Millennium Funds of 31 thousand euros and QF Immobilium Fund of 14 thousand euros; in Level 2: units of New Millennium Funds of 5,653 thousand euros.

Item "B. Derivative instruments" in level 1 concerns General options for 1,244 thousand euros and warrants for 74 thousand euros, in level 2 the positive evaluation of forward contracts for the purchase and sale of currencies and in Level 3 the value of the earn-outs relating to the purchase and sale of shares InvestiRE SGR S.p.A. The transaction is fully illustrated in the "Information document relating to transactions of greater significance with related parties" published on the Bank's website www.bancafinnat.it Investor Relations/Corporate Governance section/Information document for transactions with associated parties and attachments published on 21 January 2021.

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

Items/Amounts	Total 31.12.2021	Total 31.12.2020
A. Cash assets		
1. Debt securities	806	553
a) Central Banks	-	-
b) Public administrations	2	4
c) Banks	19	13
d) Other financial companies	300	-
- of which: insurance companies	300	-
e) Non-financial companies	485	536
2. Equity instruments	1,055	1,341
a) Banks	-	-
b) Other financial companies	425	363
- of which: insurance companies	295	232
c) Non-financial companies	630	978
d) Other issuers	-	-
3. UCI units	5,698	4,876
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
- of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	7,559	6,770
B. Derivatives		
a) Central counterparties	1,244	-
b) Other	524	77
Total B	1,768	77
Total (A+B)	9,327	6,847

The item UCI units includes: 1,366 thousand euros of bond funds, 4,318 thousand euros of equity funds and 14 thousand euros of real estate funds.

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

Items/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	1,001	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	-	1,001	-	-	-	-
2. Equity instruments	-	-	6	-	-	15
3. UCI units	727	19,128	5,270	639	19,168	1,198
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	727	20,129	5,276	639	19,168	1,213

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

The item Financial assets mandatorily measured at fair value amounted to 26,132 thousand euros (21,020 thousand euros at 31 December 2020) and included under debt securities exclusively the ITAS 12/31 (level 2) subordinate bond owned by the Bank; equity instruments (level 3) included exclusively two ATAC equity financial instruments owned by the Bank; the UCI units at Level 1 exclusively included the units of the Immobilium fund owned by the subsidiary InvestiRE SGR S.p.A.; Level 2 included units owned by the Bank (FIP fund for 15,250 thousand euros, New Millennium funds for 2,859 thousand euros and Thema fund for 1,019 thousand euros) and in Level 3 included units of the Apple Fund for 1,091 thousand euros, owned by the Bank, and units of the PRS Italy fund for 4,179 thousand euros, owned by InvestiRE SGR S.p.A.

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

Items/Amounts	Total 31.12.2021	Total 31.12.2020
1. Equity instruments	6	15
of which: banks	-	12
of which: other financial companies	-	-
of which: non-financial companies	6	3
2. Debt securities	1,001	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	1,001	-
of which: insurance companies	1,001	-
e) Non-financial companies	-	-
3. UCI units	25,125	21,005
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	26,132	21,020

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

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

Items/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	329,796	500	-	329,716	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	329,796	500	-	329,716	-	-
2. Equity instruments	561	-	15,012	431	-	11,678
3. Loans	-	-	-	-	-	-
Total	330,357	500	15,012	330,147	-	11,678

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

Financial assets at fair value through other comprehensive income totalled 345,869 thousand euros (341,825 thousand euros at 31 December 2020).

Item 1. Debt securities - Level 1 - consists almost exclusively of Government Bonds held by the Bank. Level 2 relates only to a Net Insurance bond 28/9/31 owned by the Bank. At 31 December 2021, total net impairment losses on credit risk on these securities amounted to 79 thousand euros. The value is recognised in item 110. Valuation reserves (after taxes) instead of as an adjustment to this item.
In the year in question, net impairment losses amounting to 23 thousand euros were recognised.

Item 2.Equity instruments consists of an equity investment of one thousand euros (Level 3) owned by InvestiRE SGR and of the following strategic investments of the Bank:

- Level 1: Net Insurance S.p.A. (561 thousand euros including the positive valuation reserve equal to 270 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (1,788 thousand euros including the positive valuation reserve equal to 978 thousand euros), SIA S.p.A. (9,802 thousand euros including the positive valuation reserve equal to 8,681 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,420 thousand euros including the negative valuation reserve equal to 84 thousand euros), SIT S.p.A. (15 thousand euros) and Real Estate Roma Olgiata S.r.l. (986 thousand euros including the negative valuation reserve equal to 470 thousand euros).

For the inclusion of equity instruments in this portfolio, the irrevocable option was exercised upon initial recognition.

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

Items/Amounts	Total 31.12.2021	Total 31.12.2020
1. Debt securities	330,296	329,716
a) Central Banks	-	-
b) Public administrations	293,771	286,601
c) Banks	12,771	35,117
d) Other financial companies	20,520	7,998
of which: insurance companies	500	-
e) Non-financial companies	3,234	-
2. Equity instruments	15,573	12,109
a) Banks	1	1
d) Other issuers:	15,572	12,108
- other financial companies	2,350	2,219
of which: insurance companies	562	431
- non-financial companies	13,222	9,889
- other	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	345,869	341,825

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

	Gross value					Total impairment losses				Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
Debt securities	330,375	-	-	-	-	79	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	330,375	-	-		-	79	-		-	-
Total 31.12.2020	329,816	-	-	-	-	100	-	-	-	-

(*) Value to be disclosed for information purposes.

The gross value corresponds to the book value of the debt securities only, increased by the total impairment losses.

3.3a Financial assets at fair value with through other comprehensive income subject to Covid-19 support measures: gross value and total impairment losses

At 31 December 2021, there are no financial assets at fair value with an through other comprehensive income subject to Covid-19 support measures.

Section 4 - Financial assets at amortised cost – Item 40

4.1 Financial assets at amortised cost: breakdown by product of loans and receivables with banks

Type of transactions/Amounts	Total 31.12.2021						Total 31.12.2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	*Acquired or originated impaired*	L1	L2	L3	Stages 1 and 2	Stage 3	Acquired or originated impaired	L1	L2	L3
A. Loans and receivables with Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Time deposits	-	-	-	X	X	X	-	-	-		X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	54,372	-	-	-	-	54,372	52,619	-	-	-	-	52,619
1. Loans	54,372	-	-	-	-	54,372	52,619	-	-	-	-	52,619
1.1. Current accounts and demand deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	40,306	-	-	X	X	X	42,652	-	-	X	X	X
1.3. Other loans:	14,066	-	-	X	X	X	9,967	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
- Other	14,066	-	-	X	X	X	9,967	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	54,372	-	-	-	-	54,372	52,619	-	-	-	-	52,619

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

Loans and receivables with banks totalled 54,372 thousand euros (52,619 thousand euros at 31 December 2020).Starting from the financial year in question, as envisaged by the 7th update of the Bank of Italy Circular no. 262/2005, the item no longer includes current accounts and demand deposits with banks which are instead allocated to item 10. Cash and cash equivalents. Therefore, the balance at 31 December 2020 was reclassified, equal to 71,944 thousand euros.

Item B.1.2. Time deposits of 40,306 thousand euros relates to the Bank and refers to an interbank deposit with maturity 4 January 2022 for 33,899 thousand euros and the Compulsory reserve deposited by the Bank with BFF Bank S.p.A. for 6,407 thousand euros (both amounts after collective write-down). At 31 December 2020 the Compulsory reserve amounted to 6,653 thousand euros.

Item B.1.3 Other loans related to guarantee margins on derivatives referred to the Bank.

At 31 December 2021, total net impairment losses on credit risk to banks amounted to 18 thousand euros (all entirely pertaining to the Bank). In the financial year in question, the amount of the net value adjustments is equal to zero.

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4.2 Financial assets at amortised cost: breakdown by product of loans and receivables with customers

Type of transactions/Amounts	Total 31.12.2021						Total 31.12.2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	*Acquired or originated impaired*	L1	L2	L3	Stages 1 and 2	Stage 3	*Acquired or originated impaired*	L1	L2	L3
1. Loans	507,542	23,286	-	-	-	548,376	373,355	21,780	-	-	-	412,322
1.1. Current accounts	200,680	2,159	-	X	X	X	164,423	562	-	X	X	X
1.2. Reverse repurchase agreements	25,997	-	-	X	X	X	22,602	-	-	X	X	X
1.3. Mortgages	159,629	9,094	-	X	X	X	160,965	9,410	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	121,236	12,033	-	X	X	X	25,365	11,808	-	X	X	X
2. Debt securities	754,222	-	-	752,318	2,588	-	858,640	-	-	863,624	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	754,222	-	-	752,318	2,588	-	858,640	-	-	863,624	-	-
Total	1,261,764	23,286	-	752,318	2,588	548,376	1,231,995	21,780	-	863,624	-	412,322

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

Loans and receivables with customers totalled 1,285,050 thousand euros (1,253,775 thousand euros at 31 December 2020).

At the reporting date of these Financial Statements, the items relating to current accounts, mortgages and other loans include non-performing assets (Bucket 3) relating to the Parent Company totalling 50,061 thousand euros (23,055 thousand euros net of write-downs) comprising:

- bad loans totalling 35,863 thousand euros (11,789 thousand euros net of write-downs), referring to the following positions:
  - 4,572 thousand euros (1,043 thousand euros net of write-downs) for the residual amount of a mortgage terminated on 8 July 2011. The transaction was secured by a first mortgage on property, the value of which, supported by a special expert appraisal report, covers the entire value of the net exposure. In July 2021 the property was sold for an amount exceeding the value of the net receivable and the Bank is waiting to receive its liquidation portion by the Court on the basis of the distribution plan in the process of being approved;
  - 15,249 thousand euros (3,054 thousand euros net of write-downs) relating to a receivable for a loan due from Bio-On. The estimate of the presumed realisable value of the receivable remained unchanged with respect to that calculated for the purposes of the 2019 Annual Report, and confirmed on preparation of the 2021 Annual Report.
  - 8,242 thousand euros (5,407 thousand euros net of write-downs) referring to a mortgage terminated on 24 December 2020 backed by first degree mortgage guarantees on property and other collateral that largely cover the value of the net exposure.
  - 7,800 thousand euros, of which 1,153 thousand euros referring to trade receivables (216 thousand euros net of write-downs) and 6,647 thousand euros (2,069 thousand euros net of write-downs) to receivables relating to cash loans.

  The line-by-line write-downs carried out therefore totalled 24,074 thousand euros (including 937 thousand euros referring to trade receivables), with a total coverage rate of 67%.

- unlikely-to-pay totalling 13,090 thousand euros (10,187 thousand euros net of write-downs), comprising:
  - current account overdraft facilities and other loans for collectable interests amounting to a total of 2,986 thousand euros (2,127 thousand euros net of write-downs);
  - mortgages amounting to 10,044 thousand euros, of which 922 thousand euros in overdue instalments and 9,122 thousand euros in principal maturing (8,048 thousand euros net of write-downs);
  - trade receivables of 60 thousand euros (12 thousand euros net of write-downs).

  The itemised write-downs totalled 2,903 thousand euros (of which 48 thousand euros referring to trade receivables);

- other positions expired or past due by over 90 days amounting to 1,108 thousand euros (1,079 thousand euros net of write-downs).

At 31 December 2021 the Bank had 47 “forborne” exposures, of which:

- 21 non-performing positions totalling 39,141 thousand euros (18,928 thousand euros net of write-downs), of which 3 positions included among bad loans of 26,504 thousand euros, 17 positions included among unlikely-to-pay of 12,362 thousand euros and one position included among past due of 275 thousand euros.
- 26 performing positions totalling 15,728 thousand euros.

At 31 December 2021, the Bank calculated the write-down of the portfolio for performing loans and receivables with customers in Bucket 1 and Bucket 2 relating to cash loans. This write-down amounted to 1,815 thousand euros, lower than the allocations made for this purpose through 31 December 2020 (equal to 2,741 thousand euros).

In 2021, the Bank recorded in the Income Statement 105 thousand euros for portfolio impairment losses on debt securities; it also recorded 894 thousand euros for net impairment losses on loans and receivables with customers, broken down as follows: 926 thousand euros for portfolio value recoveries, 1,243 thousand euros for specific value recoveries, 2,261 thousand euros for specific impairment losses and 802 thousand euros for cancellation losses.

At 31 December 2021, the allowance for doubtful loans and receivables with customers of the Bank, excluding securities, reached 28,820 thousand euros, of which 27,005 thousand euros on an itemised basis and 1,815 thousand euros in portfolio impairment losses.

With regard to other Group companies, the itemised allowance for doubtful loans (Bucket 3) at 31 December 2021 amounted to 805 thousand euros against gross non-performing loans of 1,036 thousand euros for Finnat Fiduciaria S.p.A. and to 2,080 thousand euros against gross non-performing loans of 2,080 thousand for InvestiRE SGR S.p.A.

Whereas portfolio impairment losses relating only to loans and receivables with customers (Bucket 1 and Bucket 2) through 31 December 2021 amounted to 64 thousand euros for InvestiRE SGR S.p.A. and to a total of 4 thousand euros for the other Group companies. During the year in question, subsidiaries recognised value adjustments on loans and receivables with customers in the Income Statement of 8 thousand euros.

With regard to the Bank, item 1.7. Other loans includes, in addition to non-performing financial loans and impaired trade receivables (Bucket 3) totalling 11,802 thousand euros (already commented on as non-performing assets), Deposits for margins with Cassa di Compensazione e Garanzia and ICE Clear Europe Ltd for 90,277 thousand euros (Bucket 1), trade receivables (Bucket 2) for 3,705 thousand euros, a loan falling due for 19,991 thousand euros (Bucket 1) and sublease receivables for 26 thousand euros (Bucket 1). The item also includes the trade receivables of the other group companies.

Item 2.2 Other debt securities pertains exclusively to the Bank and includes Government Bonds for 751,627 thousand euros and the bond loan for 2,595 thousand euros issued by Growth Market Basket Bond S.r.l., a securitisation company. The total portfolio impairment losses for those securities amounted to 148 thousand euros after utilisation for sales of 124 thousand euros. During the year, net impairment losses of 105 thousand euros were recognised.

For details of the time distribution by residual duration of trade receivables, please refer to Part E Section 1.4 - Liquidity risk.

Below is a table with the information relating to contracts with customers required by IFRS 15.

Assets/liabilities deriving from contracts with customers not debited in current accounts (IFRS 15)

	Closing balances at 31.12.2021 net of impairment losses	Closing balances at 31.12.2020 net of impairment losses
Trade receivables for activities relating to		
- *advisory & corporate finance*	2,245	2,461
- *specialist*	312	608
- placement	954	792
- management	867	1,238
- collective management	8,200	7,962
- services to listed issuers (SEQ and equity research)	70	68
- other services	2,759	2,360
Total receivables gross of write-downs	15,407	15,489
Analytical total impairment losses	(3,870)	(4,662)
Total collective impairment losses on trade receivables	(135)	(260)
Total receivables net of write-downs	11,402	10,567
Liabilities arising from contracts with customers		
- deferred income on issued invoices	(221)	(137)

Receivables for activities deriving from contracts with customers, as per the previous table, are included in item 1.7. Other loans. The analytical value adjustments on these receivables at 31 December 2021 amounted to a total of 3,870 thousand euros and relate to the Bank for 985 thousand euros (relative to the specialist activity for 25 thousand euros, advisory and corporate finance activity for 958 thousand euros and other services for 2 thousand euros); InvestiRE S.G.R. S.p.a. for 2,080 thousand euros and Finnat Fiduciaria S.p.A. for 805 thousand euros.

Assets recognised against costs to be recovered are not indicated - as required by IFRS 15 paragraph 128 - as these are modest amounts.

4.3 Financial assets at amortised cost: breakdown by debtors/issuers of loans and receivables with customers

Type of transactions/Amounts	Total 31.12.2021			Total 31.12.2020		
	Stage 1 and 2	Stage 3	Acquired or originated impaired	Stage 1 and 2	Stage 3	Acquired or originated impaired
1. Debt securities	754,222	-	-	858,640	-	-
a) Public administrations	751,627	-	-	858,640	-	-
b) Other financial companies	2,595	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to	507,542	23,286	-	373,355	21,780	-
a) Public administrations	-	-	-	-	-	-
b) Other financial companies	177,368	126	-	82,257	141	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	165,141	18,389	-	147,650	18,316	-
d) Households	165,033	4,771	-	143,448	3,323	-
Total	1,261,764	23,286	-	1,231,995	21,780	-

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

	Gross value					Total impairment losses				Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	*Acquired or originated impaired*	Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*	
Debt securities	754,370	-	-	-	-	148	-	-	-	-
Loans	499,832	-	63,982	53,177	-	1,229	671	29,891	-	41
Total 31.12.2021	1,254,202	-	63,982	53,177	-	1,377	671	29,891	-	41
Total 31.12.2020	1,224,985	-	62,590	50,997	-	1,444	1,517	29,217	-	-

(*) Value to be disclosed for information purposes.

4.4a Loans valued at amortised cost subject to Covid-19 support measures: gross value and total impairment losses

	Gross value					Total impairment losses				Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	*Acquired or originated impaired*	Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*	
1. Forborne performing exposure compliant with GL	1,571	-	-	-	-	3	-	-	-	-
B.2 Loans subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	15,272	-	1,484	-	-	170	38	-	-	-
3. Financing subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New loans	12,215	-	-	-	-	17	-	-	-	-
Total 31.12.2021	29,058	-	1,484		-	190	38		-	-
Total 31.12.2020	19,309	-	11,409	-	-	68	560	-	-	-

(*) Value to be disclosed for information purposes.

This table, which is the sole responsibility of the Bank, shows the details of the gross value and of the total impairment losses broken down by risk stages, for loans, subject to "moratoriums" or other forbearance measures in place at the reference date of the financial statements, or which constitute new liquidity granted through public guarantee mechanisms.

Item 1. Forborne performing exposure compliant with GL shows the information relating to financial assets subject to a moratorium that fall within the scope of the "Guidelines on legislative and non-legislative moratorium on loan repayments applied in the light of the Covid-19 crisis" published by the EBA (EBA/GL/2020/02) and subsequent amendments and additions. At 31 December 2021 there are 2 positions for a total exposure of 1,571 thousand euros. At 31 December 2020 there were 18 positions in place for a total of 18,663 thousand euros.

Item 2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure, information relating to financial assets subject to moratorium referred to in the previous item that no longer comply with EBA GLs is reported. At 31 December 2021 there are 6 positions in place for a total exposure of 16,756 thousand euros.

Item 3. New loans includes 22 loans granted with the support of public guarantees for a total exposure of 12,215 thousand euros. At 31 December 2020 there were 21 loans for a total of 12,055 thousand euros

Section 7 - Equity investments – Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Place of business	Type of relationship	Investment relationship		% Voting rights
				Investor company	% stake	
A. Companies subject to joint control						
1. REDO SGR S.p.A.	Milan	Milan	*Joint venture*	InvestiRE SGR	20.00	
2. Liphe S.p.A.	Bologna	Bologna	*Joint venture*	Banca Finnat	10.00	
3. Aldia S.p.A.	Bologna	Bologna	*Joint venture*	Banca Finnat	10.00	
B. Companies subject to significant influence						
2. Imprebanca S.p.A.	Rome	Rome	Significant influence	Banca Finnat	20.00	

The stake also represents the percentage of voting rights at the shareholders' meetings.

At 31 December 2021 the item amounted to 10,385 thousand euros (10,694 thousand euros at 31 December 2020). Compared to the previous year, Previra Invest S.p.A. is no longer present among the companies subject to significant influence as in 2021 the voluntary liquidation was completed.

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

7.3 Significant investments: accounting information

At 31 December 2021, the Group does not hold significant investments in associated companies.

7.4 Non-significant equity investments: accounting information (1 of 2)

Company name	Book value of equity investments	Total assets	Total liabilities	Total revenue	Profit (loss) from continuing operations after taxes
Companies subject to joint control	4,282	5,505	565	805	(352)
Companies subject to significant influence	6,103	56,385	47,975	916	16

Data referring to the latest approved available situations

7.4 Non-significant equity investments: accounting information (2 of 2)

Company name	Profit (Loss) from discontinued operations after taxes	Profit for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Companies subject to joint control	-	(352)	-	(352)
Companies subject to significant influence	-	16	86	102

The data shown are reported cumulatively and compared to the share held by the Group.

7.5 Equity investments: annual changes

	Total 31.12.2021	Total 31.12.2020
A. Opening balances	10,694	11,173
B. Increases	24	53
B.1 Purchases	-	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	24	53
C. Decreases	333	532
C.1 Sales	-	333
C.2 Impairment losses	-	73
C.3 Write-downs	300	88
C.4 Other changes	33	38
D. Closing balances	10,385	10,694
E. Total revaluations	-	-
F. Total impairment losses	5,407	5,698

Item B.4 Other changes refers to the profit realised from the conclusion of the voluntary liquidation of the associate Previra Invest S.p.A. in liquidation, the amount collected from the liquidation is reported in item C.4 Other changes.

Item C.3 Write-downs concerns the loss recognised on the consolidation of REDO SGR S.p.A.

Item F. Total adjustments shows the overall impairment made on associates and joint ventures for a total of 5,407 thousand euros, of which 3,897 thousand euros referring to Imprebanca S.p.A. The decrease of 291 thousand euros compared to the previous year relates to the elimination of the adjustments carried out at the time on Previra Invest S.p.A. in liquidation.

Section 9 - Property, equipment and investment property – Item 90

9.1 Property, equipment and investment property used in operations: breakdown of assets at cost

Assets/Amounts	Total 31.12.2021	Total 31.12.2020
1. Owned assets	4,136	4,338
a) land	1,308	1,308
b) buildings	1,735	1,873
c) furniture	715	770
d) electronic equipment	365	371
e) other	13	16
2. Rights of use acquired through leases	15,760	13,561
a) land	-	-
b) buildings	15,205	12,968
c) furniture	-	-
d) electronic equipment	38	19
e) other	517	574
Total	19,896	17,899
of which: obtained through enforcement of guarantees received	-	-

Point 2 of the table above shows the rights of use relating to lease agreements, as required by the accounting standard IFRS 16.

9.6 Property, equipment and investment property used in operations: annual changes

	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balances	1,308	24,370	3,002	5,365	1,478	35,523
A.1 Total net impairment	-	9,529	2,232	4,975	888	17,624
A.2 Net opening balances	1,308	14,841	770	390	590	17,899
B. Increases	-	5,030	4	184	208	5,426
B.1 Purchases	-	5,029	4	184	162	5,379
B.2 Expenses for capitalised improvements	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from real estate held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	1	-	-	46	47
C. Decreases	-	2,931	615	2,415	268	6,229
C.1 Sales	-	-	-	1	15	16
C.2 Depreciation	-	2,931	59	170	253	3,413
C.3 Impairment losses recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	556	2,244	-	2,800
D. Net closing balances	1,308	16,940	715	403	530	19,896
D.1 Total net impairment	-	12,460	2,847	7,388	1,126	23,821
D.2 Gross final inventories	1,308	29,400	3,562	7,791	1,656	43,717
E. Valuation at cost						

As required by Circular no. 262, the table of changes in property, equipment and investment property referred only to rights of use.

IFRS 16 - Property, plant and investment property used in operations: annual changes

	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balances	-	18,545	-	56	981	19,582
A.1 Total net impairment	-	5,577	-	37	407	6,021
A.2 Net opening balances	-	12,968	-	19	574	13,561
B. Increases	-	5,030	-	38	184	5,252
B.1 Purchases	-	5,029	-	38	168	5,235
B.2 Expenses for capitalised improvements	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from real estate held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	1	-	-	16	17
C. Decreases	-	2,793	-	19	241	3,053
C.1 Sales	-	-	-	-	15	15
C.2 Depreciation	-	2,793	-	19	226	3,038
C.3 Impairment losses recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balances	-	15,205	-	38	517	15,760
D.1 Total net impairment	-	8,370	-	56	633	9,059
D.2 Gross final inventories	-	23,575	-	94	1,150	24,819
E. Valuation at cost						

Section 10 - Intangible assets – Item 100

10.1 Intangible assets: breakdown by asset type

Asset/Amounts	Total 31.12.2021		Total 31.12.2020	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	28,129	X	28,129
A.1.1 attributable to owners of the Parent	X	16,762	X	14,260
A.1.2 attributable to non-controlling interests	X	11,367	X	13,869
A.2 Other intangible assets	234	2,726	315	2,726
of which software	216	-	260	-
A.2.1 Assets at cost:	234	2,726	315	2,726
a) Internally generated intangible assets	-	-	-	-
b) Other assets	234	2,726	315	2,726
A.2.2 Assets at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	234	30,855	315	30,855

Item A.1 Goodwill, amounting to 28,129 thousand euros, comprises:

- Euro 300 thousand euros for a part of the goodwill resulting from the merger in 2003 of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A.

- 27,829 thousand euros for goodwill recorded by the subsidiary InvestiRE SGR S.p.A. following the merger by incorporation in 2015, of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A. The value of goodwill was reduced in 2019 by an amount of 9,600 thousand euros, corresponding to the portion relating to the business unit transferred to the associated company REDO SGR S.p.A.
  The adequacy assessment was based on the estimate of the projected cash flows to be discounted according to the Discounted Free Cash Flow to the Firm method, adopted taking into account both the characteristics of the business and the current and future situation of the company. It should be noted that the goodwill is attributable to the Cash Generating Unit CGU "Asset Management - Real Estate Fund Management" which coincides with the activity carried out by InvestiRE SGR.
  The internal experts of InvestiRE SGR S.p.A., on the basis of the forecasts developed to take into account the estimated impacts of the Covid-19 pandemic with respect to the business plan approved by the Board of Directors, with the support of the internal specialists of the Parent Company, set up the impairment test to assess whether or not it is necessary to adjust goodwill.
  The definitive updated parameters of the Group to be used as assumptions on which the impairment calculation is based are summarised in the internal document - "Measurement Methodologies and Impairment Test", approved by the competent decision-making bodies of the Bank autonomously and in advance with respect to the approval of the financial statement data.
  At 31 December 2021, for the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) was used, which, in this specific case, matches the cost of capital "Ke", inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities; moreover, a period

of explicit projection of 3 years was used, and a growth rate of 1.5% which also takes into account the expected inflation: the forward looking data used in the measurement at 31 December 2021 therefore refer to the projections for subsequent financial years prepared by the Management of the asset management company with the control and coordination of the Parent Company. The WACC thus determined is 7.91%.
Lastly, the model for determining the equity value was subjected to sensitivity analysis in order to appreciate the change of the results obtained as the adopted measurement parameters change. The analyses conducted did not bring to light any indications of impairment with reference to goodwill, not even based on a stress test approach, using a discount rate "Ke" (+/-50 bps).

Item A.2 "Other intangible assets - Indefinite life" consists of the positive consolidation differences of the following companies:

- Finnat Fiduciaria S.p.A. for 984 thousand euros;
- InvestiRE SGR S.p.A. for 1,693 thousand euros.

As these are intangible assets with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. The tests conducted did not show any impairment to record in the income statement.

In view of the option envisaged by IFRS 16.4, the Group decided not to apply the standard to any operating leases on intangible assets. Therefore, the item does not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

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10.2 Intangible assets: annual changes

	Goodwill	Other Internally generated intangible assets		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balances	28,129	-	-	4,736	3,710	36,575
A.1 Total net impairment	-	-	-	4,421	984	5,405
A.2 Net opening balances	28,129	-	-	315	2,726	31,170
B. Increases	-	-	-	124	-	124
B.1 Purchases	-	-	-	124	-	124
B.2 Increases in internal intangible assets	X			-		-
B.3 Reversals	X			-		-
B.4 Positive changes in fair value	-	-	-	-	-	-
- to equity	X					-
- to income statement	X					-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	205	-	205
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	205	-	205
(-) Amortisation	X	-	-	205	-	205
(-) Write-downs	-	-	-	-	-	-
(+) equity	X	-	-	-	-	-
(+) income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balances	28,129	-	-	234	2,726	31,089
D.1 Total net impairment losses	-	-	-	4,626	984	5,610
E. Gross final inventories	28,129	-	-	4,860	3,710	36,699
F. Valuation at cost						

Key:
DEF: definite duration
INDEF: indefinite duration

Section 11 - Tax assets and liabilities - Items 110 (assets) and 60 (liabilities)

Current tax assets totalled 74 thousand euros (809 thousand euros at 31 December 2020) and concerned mainly IRAP credits for 40 thousand euros and for additional IRES for 27 thousand euros.

Current tax liabilities amounted to 911 thousand euros (487 thousand euros at 31 December 2020) and mainly included IRES payables from the national tax consolidation for 392 thousand euros, VAT payables to be paid for 116 thousand euros and substitute tax payables due by InvestiRE SGR S.p.A. following the redemption of the goodwill.

11.1 Deferred tax assets: breakdown

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 9,919 thousand euros (9,510 thousand euros at 31 December 2020) and referred, for 9,487 thousand euros to taxes recognised through profit or loss and for 432 thousand euros to taxes recognised with a corresponding item in equity. Taxes recognised through profit or loss pertain to the Bank for a total of 1,299 thousand euros, InvestiRE SGR S.p.A. for 8,098 thousand euros (of which goodwill for 7,562 thousand euros) and Finnat Fiduciaria S.p.A. for 90 thousand euros; while the taxes

recognised with a corresponding item in equity are attributable to the Bank for 370 thousand euros, InvestiRE SGR S.p.A. for 32 thousand euros and Finnat Fiduciaria S.p.A. for 30 thousand euros.
Deferred tax assets as a balancing entry in equity relate exclusively to taxes on negative valuation reserves relating to Financial assets at fair value through other comprehensive income (277 thousand euros) and the recognition of actuarial losses on the Provisions for post-employment benefits (155 thousand euros).

11.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,579 thousand euros (1,219 thousand euros at 31 December 2020) and are recognised through profit or loss for 284 thousand euros and as a balancing entry in equity for 1,295 thousand euros. The latter exclusively concern taxes on positive valuation reserves relating to Financial assets at fair value through other comprehensive income owned by the Bank.

Deferred tax assets and liabilities have been determined applying the IRES rate, any additional IRES and, where applicable, the IRAP rate in force at the date of preparation of this report.

11.3 Changes in deferred tax assets (offset in the income statement)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	9,328	10,259
2. Increases	945	100
2.1 Deferred tax assets recognised during the year	945	100
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals	-	-
d) others	945	100
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	786	1,031
3.1 Deferred tax assets cancelled during the year	786	1,031
a) reversals	786	1,031
b) write-downs due to irrecoverability	-	-
c) change in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Italian Law no. 214/2011	-	-
b) other	-	-
4. Final amount	9,487	9,328

The data shown in table 11.3 include the amounts shown in table 11.4.

The final amount of deferred tax assets pursuant to Italian Law no. 214/2011 pertains exclusively to the Bank.

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11.4 Changes in deferred tax assets pursuant to Italian Law no. 214/2011

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	1,142	1,150
2. Increases	-	-
3. Decreases	150	8
3.1 Reversals	150	8
3.2 Transformation into tax credits	-	-
a) resulting from operating losses	-	-
b) arising from tax losses	-	-
3.3 Other decreases	-	-
4. Final amount	992	1,142

11.5 Changes in deferred tax liabilities (offset in the income statement)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	101	156
2. Increases	183	8
2.1 Deferred tax liabilities recognised during the year	16	8
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	16	8
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	167	-
3. Decreases	-	63
3.1 Deferred tax liabilities es cancelled during the year	-	63
a) reversals	-	63
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	284	101

11.6 Changes in deferred tax assets (offset in equity)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	182	389
2. Increases	261	7
2.1 Deferred tax assets recognised during the year	261	7
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	261	7
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	11	214
3.1 Deferred tax assets cancelled during the year	11	214
a) reversals	11	214
b) write-downs due to irrecoverability	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	432	182

11.7 Changes in deferred tax liabilities (offset in equity)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	1,118	526
2. Increases	423	762
2.1 Deferred tax liabilities recognised during the year	423	762
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	423	762
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	246	170
3.1 Deferred tax liabilities es cancelled during the year	246	170
a) reversals	246	170
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	1,295	1,118

For further information on the changes in the income statement of deferred tax assets and liabilities, please refer to Part C - Section 21 Income taxes for the year of current operations and for those offset by equity in Part D - Consolidated comprehensive income.

* * *

With regard to tax disputes relating to the Bank, it should be noted that on 22 December 2021 the Regional Tax Court of Lazio Sect. 13 issued sentence no. 485/22 filed on 3 February 2022 which accepted the appeal presented by the Bank, concerning the dispute against assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were not deductible for IRPEG and IRAP purposes (costs for advisory services and costs pertaining to a lease agreement). In relation to this dispute, the Bank had already charged 55 thousand euros to the income statement in the previous years, plus penalties and interest.
The deadlines for appealing to the Supreme Court by the Revenue Agency are still pending.

As regards the Group companies, the subsidiary InvestiRE SGR S.p.A. has a tax dispute in progress relating to the merged company Beni Stabili Gestioni S.p.A. SGR, regarding the objection to the IRES/IRAP assessment notices for the year 2006. The company was successful in the first instance hearing, lost the first appeal and is awaiting the result of the appeal to the Court of Cassation. The entire amount requested by way of taxes, penalties, interest and collection premium was paid in previous years for a total of 351 thousand euros and covered by indemnity agreements with the shareholders of the merged company.

It should also be noted that InvestiRE SGR S.p.A. is party to some tax disputes relating to claims for IMU due from the H1 Fund in compulsory administrative liquidation for properties located in the Municipalities of Palermo, Pomezia (Rome) and Catania and the related compulsory collection by the tax collection office. The disputes derive from tax payables for IMU purposes due, from the H1 fund in liquidation, relating to tax periods prior to the judgement of the Court of Rome and the consequent provision of the Bank of Italy, which dictated and executed the fund's entry into the compulsory administrative liquidation procedure (LCA) and the consequent appointment of the liquidator. Therefore, these are claims for taxes due by the H1 Fund which have been recognised and included in the liabilities of the LCA procedure and which, nevertheless, are ascertained by the Municipalities and/or requested in payment by the AdER to the Company due to the fact that the same managed the H1 Fund during the tax periods of reference and neglecting to consider both the limitations of the liability of the Company, as an asset management company, and the effects of the subsequent LCA of the H1 Fund.

Section 13 - Other assets – Item 130

13.1 Other assets: breakdown

	Total 31.12.2021	Total 31.12.2020
Receivables for guarantee deposits	512	508
Deposits with Cassa Compensazione e Garanzia	8,479	5,799
Deposits with Ice Clear Europe	12,950	5,600
Due from counterparties and brokers	4,831	215
Tax credits for withholding tax	7,299	6,197
Sundry receivables	4,337	4,991
Total	38,408	23,310

LIABILITIES

Section 1 - Financial liabilities at amortised cost - Item 10

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

Type of transactions/Amounts	Total 31.12.2021				Total 31.12.2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	-	X	X	X	-	X	X	X
2. Due to banks	394	X	X	X	157	X	X	X
2.1 Current accounts and demand deposits	381	X	X	X	145	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3. Loans	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	13	X	X	X	12	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	394	-	-	394	157	-	-	157

Key:
BV = Book value;
L1 = Level 1; L2 = Level 2; L3 = Level 3

Due to banks refers exclusively to the Parent Company.

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

Type of transactions/Amounts	Total 31.12.2021				Total 31.12.2020			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	678,667	X	X	X	506,796	X	X	X
2. Time deposits	178,583	X	X	X	163,377	X	X	X
3. Loans	750,671	X	X	X	853,159	X	X	X
3.1 Repurchase agreements	750,671	X	X	X	853,159	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	16,134	X	X	X	13,894	X	X	X
6. Other payables	26,861	X	X	X	15,580	X	X	X
Total	1,650,916	-	-	1,650,916	1,552,806	-	-	1,552,806

Key:
BV = Book value;
L1 = Level 1; L2 = Level 2; L3 = Level 3

Item 3.1 Repurchase agreements concerns exclusively the transactions carried out by the Bank with Cassa di Compensazione e Garanzia.

1.6 Lease payables

The information referred to in IFRS 16, paragraph 58 is provided below.

Type	Maturities					
	within 1 month	over 1 month and up to 3 months	over 3 months and up to 1 year	over 1 year and up to 5 years	over 5 years	Total at 31.12.2021
Buildings	508	255	2,030	7,467	5,326	15,586
Electronic equipment	-	3	16	19	-	38
Other	20	35	150	317	1	523
Total	528	293	2,196	7,803	5,327	16,147

Lease payables concern the Bank for 9,356 thousand euros and the subsidiaries InvestiRE SGR S.p.A. for 6,575 thousand euros, Finnat Fiduciaria S.p.A. for 172 thousand euros, Finnat Gestioni S.A. for 13 thousand euros and Natam for 31 thousand euros.

As regards the information referred to in IFRS 16, paragraph 53, letter g), the total cash flows for outgoing leases in the year 2021 amounted to 3,113 thousand euros.

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Section 2 - Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	**Total 31.12.2021**					**Total 31.12.2020**				
	NV	***Fair value***			***Fair value****	**NV**	***Fair value***			***Fair value****
		L1	**L2**	**L3**			**L1**	**L2**	**L3**	
A. Cash liabilities	-	-	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	989	176	900	-	-	-	40	-	-
1. Financial derivatives	-	989	176	900	-	-	-	40	-	-
1.1 Held for trading	X	989	176	900	X	X	-	40	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	989	176	900	X	X	-	40	-	X
Total (A+B)	X	989	176	900	X	X	-	40	-	X

Key:
NV = nominal or notional value;
L1 = Level 1; L2 = Level 2; L3 = Level 3
* fair value calculated excluding changes in value due to the change in creditworthiness

Financial liabilities exclusively pertain to the Bank.

Item "B. Derivative instruments" equal to 2,065 thousand euros relates to: in level 1 General options, in level 2 the negative valuation of forward contracts for the purchase and sale of currencies and in Level 3 the value of the *earn-outs* relating to the purchase and sale of InvestiRE SGR S.p.A. shares. This latter transaction is fully illustrated in the "Information document relating to transactions of greater significance with related parties" published on the Bank's website www.bancafinnat.it, section Investor Relations/Corporate Governance/Information document on transactions with related parties and attachments published on 21 January 2021.

Section 6 - Tax liabilities – Item 60

See Section 11 of assets.

Section 8 - Other liabilities – Item 80

8.1 Other liabilities: breakdown

	Total 31.12.2021	Total 31.12.2020
Social security and insurance contributions to be paid	1,943	1,846
Payables due to employees and contractors	4,851	4,164
Emoluments to be paid to the Directors	162	162
Emoluments to be paid to the Board of Statutory Auditors	193	191
Trade payables	1,932	1,460
Shareholders for dividends to be paid	1,448	1,743
Payables to brokers and institutional counterparties	1,526	951
Tax payables for withholding tax	6,013	3,754
Sundry payables	5,307	4,533
Total	23,375	18,804

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	Total 31.12.2021	Total 31.12.2020
A. Opening balances	5,605	5,920
B. Increases	1,565	1,324
B.1 Allocations for the year	1,565	1,324
B.2 Other changes	-	-
C. Decreases	1,418	1,639
C.1 Severance indemnities paid out	734	1,061
C.2 Other changes	684	578
D. Closing balances	5,752	5,605

Item B.1 Allocations for the year, includes the actuarial gain of 18 thousand euros recognised among valuation reserves, net of the tax effect, in accordance with IAS 19. In 2020, an actuarial gain of 147 thousand euros was recorded.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury - net of disbursements carried out - as established by Italian Law no. 296/06.
The actuarial assumptions used to determine the liabilities at the financial statements date are set out below:
Demographic hypothesis
as regards the technical bases of a demographic type, the "Table of permanence in the active position" RG48 (built by the State Accounting Office, with reference to the 1948 generation), "selected, projected and differentiated by gender", was used as a basis for evaluating survival, supplemented by internal statistics for the probability of leaving work activities.

Economic-financial hypotheses

the technical assessments were made on the basis of the following assumptions:

- technical discount rate from 0% to 0.27431% determined on the basis of the interest rate curve constructed on the basis of the effective rates of return of bonds denominated in Euro of leading companies with a rating of AA or higher;
- annual inflation rate 1.50%.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 31.12.2021	Total 31.12.2020
1. Provisions for credit risk related to commitments and financial guarantees given	55	246
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	69	67
4.1. Legal and tax disputes	-	-
4.2. Personnel expenses	-	-
4.3. Other	69	67
Total	124	313

The item pertains exclusively to the Bank.

Item 1. Provisions for credit risk related to commitments and financial guarantees given concerns the collective impairment losses recorded up until 31 December 2021 totalling 42 thousand euros and analytical impairment losses carried out in 2019 on an non-performing guarantee for 13 thousand euros.

Collective impairment losses on commitments in the year came to 101 thousand euros and collective value reversals on financial guarantees stood at 90 thousand euros.

Item 4. Other provisions for risks and charges includes the provision made in the previous year to cover any indemnity to be paid to an employee for 67 thousand euros and an increase in lease assets relating to restoration charges for 2 thousand euros.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Retirement funds	Other provisions for risks and charges	Total
A. Opening balances	246	-	67	313
B. Increases	-	-	2	2
B.1 Allocations for the year	-	-	2	2
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	191	-	-	191
C.1 Use in the year	191	-	-	191
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	-	-	-	-
D. Closing balances	55	-	69	124

For the comment on the changes, please refer to what is illustrated at the bottom of table 10.1. Provisions for risks and charges: breakdown.

10.3 Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	*Impaired acquired and/or originated*	Total
Commitments to disburse funds	7	-	-	-	7
Financial guarantees given	31	4	13	-	48
Total	38	4	13	-	55

10.6 Provisions for risks and charges - other provisions

The provision for risks and charges - other provisions, exclusively attributable to the Bank, amounts to 69 thousand euros. For details, please refer to what is reported at the bottom of table 10.1. Provisions for risks and charges: breakdown.

Section 13 - Group equity – Items 120, 150, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

At 31 December 2021, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a nominal value of 0.20 euros each.

At 31 December 2021 treasury shares numbered 28,810,640. These shares, totalling 14,059 thousand euros, equal to 7.9% of the share capital, in application of IAS 32, were used to adjust the equity. In the financial year in question, the Bank did not buy or sell any treasury shares.

13.2 Share capital - Number of shares of the Parent Company: annual changes

Items/Types	Ordinary	Other
A. Number of shares at the beginning of the year	362,880,000	
– fully paid-in	362,880,000	-
– not fully paid-in	-	-
A.1 Treasury shares (-)	(28,810,640)	-
A.2 Shares issued: opening balances	**334,069,360**	**-**
B. Increases	-	-
B.1 New issues	-	-
– against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
– free of charge:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Derecognition	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares issued: closing balances	**334,069,360**	**-**
D.1 Treasury shares (+)	28,810,640	-
D.2 Number of shares at the end of the year	362,880,000	-
– fully paid-in	362,880,000	-
– not fully paid-in	-	-

13.3 Share capital: additional information

During the year, the Bank's share capital was not subject to change.

13.4 Income-related reserves: additional information

The "Reserves" item amounted to 152,261 thousand euros (151,029 thousand euros at 31 December 2020) and is broken down as follows:

- income-related reserves of the Bank:
  118,954 thousand euros consisting of the legal reserve of 11,804 thousand euros, the extraordinary reserve of 86,151 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, the restated IAS 19 retained earnings reserve of 179 thousand euros, the merger surplus reserve of 524 thousand euros, the reserve for treasury shares purchased of 14,059 thousand euros and the restated IFRS 9 negative reserve of 488 thousand euros;
- other reserves:
  33,307 thousand euros consisting of the reserve for the realised gain on treasury shares of 4,277 thousand euros and net losses on the sale of shares in the portfolio Financial assets at fair value through other comprehensive income of 35 thousand euros, with the difference made up by the consolidation reserve.

Section 14 – Non-controlling interests – Item 190

14.1 Breakdown of item 190 "Non-controlling interests"

Company name	Total 31.12.2021	Total 31.12.2020
Equity investments in consolidated companies with significant non-controlling interests		
1. InvestiRE SGR S.p.A.	32,850	39,787
Other equity investments	722	651
Total	33,572	40,438

The non-controlling interests relating to Investire SGR S.p.A. decreased compared to 31 December 2020, due to the purchase by the Bank, which resulted in the decrease in the percentage of non-controlling interests from 49.84% to 40.85%.

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

	Nominal value on commitments and financial guarantees issued			Total 31.12.2021	Total 31.12.2020
	Stage 1	Stage 2	Stage 3		
1. Commitments to disburse funds	14,824	284	-	15,108	28,562
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	1,818	-	-	1,818	19,592
e) Non-financial companies	6,399	122	-	6,521	1,798
f) Households	6,607	162	-	6,769	7,172
2. Financial guarantees given	15,244	4,013	299	19,556	20,571
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	667	-	-	667	621
d) Other financial companies	368	-	-	368	4,468
e) Non-financial companies	11,278	2,392	299	13,969	11,799
f) Households	2,931	1,621	-	4,552	3,683

The table above shows the irrevocable commitments to disburse funds and the financial guarantees given. Both items are subject to the write-down rules established by IFRS 9.
The item Financial guarantees issued c) Banks includes the commitment of the Bank to the Interbank Deposit Protection Fund for 632 thousand euros.

2. Other commitments and other guarantees given

	Nominal Value	
	Total 31.12.2021	Total 31.12.2020
1. Other guarantees given	-	
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	159,973	162,764
of which: non-performing credit exposures	163	3
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	30	63
d) Other financial companies	28,817	12,640
e) Non-financial companies	79,985	111,365
f) Households	51,141	38,696

The table above shows the revocable commitments to disburse funds and the other commitments for transactions to be settled that are not subject to the IFRS 9 write-down rules.

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Total 31.12.2021	Total 31.12.2020
1. Financial assets at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortised cost	751,627	858,640
4. Property, equipment and investment property	-	-
of which: property, equipment and investment property constituting inventories	-	-

5. Management and dealing on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	
a) purchases	4,057,462
1. settled	4,052,842
2. not settled	4,620
b) sales	2,930,108
1. settled	2,928,775
2. not settled	1,333
2. Portfolio management	
a) individual	966,722
a) collective	6,036,226
3. Custody and administration of securities	
a) third party securities on deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by the companies included in the consolidation	-
2. other securities	-
b) third party securities on deposit (excluding portfolio management): others	1,743,542
1. securities issued by the companies included in the consolidation	57,017
2. other securities	1,686,525
c) third party securities deposited with third parties	1,730,156
d) property titles deposited with third parties	1,140,165
4. Other transactions	1,878,157

Part C – Information on the Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Types	Debt securities	Loans	Other transactions	Total 2021	Total 2020
1. Financial assets at fair value through profit or loss	56	-	-	56	774
1.1. Financial assets held for trading	56	-	-	56	774
1.2 Financial assets at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	481	-	X	481	1,163
3. Financial assets at amortised cost:	1,341	7,302	-	8,643	13,177
3.1 Loans and receivables with banks	-	4	X	4	29
3.2 Loans and receivables with customers	1,341	7,298	X	8,639	13,148
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	2
6. Financial liabilities	X	X	X	4,503	3,312
Total	1,878	7,302	-	13,683	18,428
of which: interest income on impaired financial assets	-	706	-	706	700
of which: interest income on financial leases	X	-	X	-	-

1.3 Interest and similar expense: breakdown

Items/Types	Payables	Securities	Other transactions	Total 2021	Total 2020
1. Financial liabilities at amortised cost	(1,558)	-	-	(1,558)	(1,518)
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	(6)	X	X	(6)	(2)
1.3 Due to customers	(1,552)	X	X	(1,552)	(1,516)
1.4 Securities issued	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(1,936)	(752)
Total	(1,558)	-	-	(3,494)	(2,270)
of which: interest expense related to lease payables	(236)	X	X	(236)	(240)

Net Interest income, almost exclusively pertaining to the Bank, totalled 10,189 thousand euros compared to 16,158 thousand euros in the previous year. The decrease is mainly due to the contraction in the contribution of repurchase agreements of the Bank on the proprietary portfolio.

Section 2 - Fees and commissions - Items 40 and 50

Starting from the year in question, the information on the breakdown of commission income and expense has been amended as required by the 7th update of Bank of Italy Circular no. 262/2005. Therefore, the breakdown of commission income and expense for the year under review was reclassified.

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total 2021	Total 2020
a) Financial instruments	19,223	17,486
1. Placement of securities	5,331	3,869
1.1. With underwriting and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	5,331	3,869
2. Reception and transmission of orders and trading on behalf of customers	5,008	4,035
2.1 Reception and transmission of orders for one or more financial instruments	35	-
2.2. Trading on behalf of customers	4,973	4,035
3. Other commissions associated with activities related to financial instruments	8,884	9,582
of which: trading on own account	-	-
of which: individual portfolio management	7,612	7,961
b) Corporate Finance	1,184	956
1. Mergers and acquisitions consultancy	40	50
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	1,144	906
c) Investment advisory activities	1,493	882
d) Clearing and settlement	52	17
e) Management of collective portfolios	28,112	26,350
f) Custody and administration	574	480
1. Depositary bank	-	-
2. Other fees related to custody and administration	574	480
g) Central administrative services for collective portfolio management	-	-
h) Trusteeship	1,576	1,624
i) Payment services	831	738
1. Current accounts	489	423
2. Credit Cards	196	179
3. Debit and other payment cards	29	27
4. Wire transfers and other payment orders	111	103
5. Other fees related to payment services	6	6
j) Distribution of third-party services	2,167	2,043
1. Collective portfolio management	159	136
2. Insurance products	2,008	1,907
3. Other products	-	-
of which: individual portfolio management	-	-
k) Structured finance	898	100
l) Servicing related to securitisations	-	-
m) Commitments to disburse funds	665	615
n) Financial guarantees given	216	191
of which: credit derivatives	-	-
o) Financing operations	138	207
of which: factoring services	-	-
p) Currency dealing	-	-
q) Goods	-	-
r) Fee and commission income	290	282
of which: for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	57,419	51,971

The information relating to contracts with customers required by IFRS 15 is provided below.

Revenue from contracts with customers (IFRS 15)

	Revenue 2021	Revenue recognised in financial year 2021 included in the opening balance of liabilities deriving from contracts at the beginning of the financial year	Revenue 2020	Revenue recognised in financial year 2020 included in the opening balance of liabilities deriving from contracts at the beginning of the financial year
Subdivision by type of service				
- advisory	3,576	48	1,938	98
- specialist	1,012	-	1,383	-
- trading	5,734	-	4,805	-
- placement	5,331	-	3,869	1
- individual management	5,644	-	5,680	-
- collective management	27,697	-	25,956	-
- delegated management	1,242	-	1,511	-
- services to listed issuers (SEQ and equity research)	462	89	455	116
- distribution of insurance products	2,009	-	1,907	-
- distribution of third-party services	574	-	529	-
- other services	4,138	-	3,938	-
Total fee and commission income	57,419	137	51,971	215
Analytical (Adjustments) Value recoveries of the period on trade receivables	771		262	
Collective (Adjustments) Value recoveries of the period on trade receivables	(170)		(21)	
Losses due to credit cancellation	(573)		(185)	
Total (Adjustments) Value recoveries and losses on trade receivables	28		56	

As required by IFRS 15, the following information is provided:

- variable commissions recognised by the Bank in the year amounted to 1,092 thousand euros (1,425 thousand euros in 2020) and relate for 259 thousand euros to performance fees on management (885 thousand euros at 31 December 2020), for 15 thousand euros to performance fees on delegated management (445 thousand euros at 31 December 2020) and for 818 thousand euros to successful commissions on consultancy for Corporate Finance activities (95 thousand euros at 31 December 2020). Overall, variable commissions were collected in for 393 thousand euros in 2021 and for 204 thousand euros in 2022 (up to the date of preparation of the financial statements);
- the subsidiary InvestiRE SGR S.p.A. recognised performance commissions for 195 thousand euros during the year (FIP 38 thousand euros, Helios 132 thousand euros and FPEP 25 thousand euros). As required by the regulations of the FIP fund, 50% of the amount will be paid only upon expiry of the fund in the event that there is no significant downward adjustment in the amount of accumulated revenue. Following the evaluation carried out, the subsidiary considers this eventuality not highly probable;
- at the closing date of the financial year there are no unrecognised commissions on contracts longer than one year.

2.2 Fee and commission expense: breakdown

Type of service/amounts	Total 2021	Total 2020
a) Financial instruments	(971)	(1,140)
of which: trading in financial instruments	(866)	(1,042)
of which: placement of financial instruments	(44)	(27)
of which: individual portfolio management	(56)	(40)
- Own	(56)	(40)
- Delegated to third parties	-	-
b) Clearing and settlement	(108)	(82)
c) Management of collective portfolios	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(383)	(318)
e) Collection and payment services	(240)	(211)
of which: credit cards, debit cards and other payment cards	(184)	(158)
f) Servicing related to securitisations	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: credit derivatives	-	-
i) Off-premises sale of financial instruments, products and services	-	-
j) Currency dealing	-	-
k) Fee and commission expense	(821)	(776)
Total	(2,523)	(2,527)

Net commissions amounted to 54,896 thousand euros compared to 49,444 thousand euros in the previous year. The increase of 5,452 thousand euros, comprises 3,728 thousand euros pertaining to the Bank, 1,712 thousand euros pertaining to the subsidiary InvestiRE SGR and 12 thousand euros pertaining to other Group companies.

Section 3 - Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 2021		Total 2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	6	-	1	1
B. Other financial assets mandatorily measured at fair value	-	505	-	1,366
C. Financial assets at fair value through other comprehensive income	211	-	424	-
D. Equity investments	-	-	-	-
Total	217	505	425	1,367

The item shows a balance of 722 thousand euros (1,792 thousand euros in the previous year).

Section 4 - Net trading expense - Item 80

4.1 Net trading expense: breakdown

Transactions/Income items	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net income [(A+B) - (C+D)]
1. Financial liabilities held for trading	849	256	(119)	(393)	593
1.1. Debt securities	-	13	(59)	(13)	(59)
1.2 Equity instruments	85	239	(28)	(365)	(69)
1.3 UCI units	764	4	(32)	(15)	721
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1. Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	917
4. Derivatives	207	395	(117)	(300)	11
4.1. Financial derivatives:	207	395	(117)	(300)	11
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indices	207	395	(117)	(300)	185
- on currencies and gold	X	X	X	X	(174)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	1,056	651	(236)	(693)	1,521

Net trading expense, exclusively pertaining to the Bank, featured a positive balance of 1,521 thousand euros compared to a negative balance of 253 thousand euros in the same period of 2020, and breaks down as follows:

- a positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio of 820 thousand euros (in 2020 there was a positive balance of 177 thousand euros);
- a positive balance between realised profits and losses related to trading on securities and derivatives of 42 thousand euros (in 2020, a negative balance of 893 thousand euros);
- a negative difference of 174 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in 2020, a negative balance of 38 thousand euros);
- a positive balance of 917 thousand euros between realised foreign exchange gains and losses (in 2020 a positive balance of 501 thousand euros).

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Section 6 - Net gain from disposal or repurchase – Item 100

6.1 Net gain from disposal or repurchase: breakdown

Item/Income items			Total 2021			Total 2020
	Profit	Losses	Net income	Profit	Losses	Net income
A. Financial assets						
1. Financial assets at amortised cost	155	-	155	278	-	278
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	155	-	155	278	-	278
2. Financial assets at fair value through other comprehensive income	59	(35)	24	1,406	(236)	1,170
2.1. Debt securities	59	(35)	24	1,406	(236)	1,170
2.2 Loans	-	-	-	-	-	-
Total assets (A)	214	(35)	179	1,684	(236)	1,448
B. Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

Item 1.2 Loans to customers refers to the net result achieved by the Bank following the sale of debt securities.
Item 2.1 Debt securities refers to Profits for the Bank and to Losses for the subsidiary Finnat Fiduciaria S.p.A.

Section 7 - Net losses on other financial assets and liabilities at fair value through profit or loss - Item 110

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

Transactions/Income items	Gains (A)	Gains from disposal (B)	Losses (C)	Losses from disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	234	106	(321)	(2)	17
1.1. Debt securities	-	-	(1)	-	(1)
1.2 Equity instruments	-	-	(29)	(2)	(31)
1.3 UCI units	234	106	(291)	-	49
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	X	X	X	X	-
Total	234	106	(321)	(2)	17

Item 1.2 Equity instruments, exclusively attributable to the Bank, relates to Losses (C) on Carige shares held through the FITD Voluntary Scheme for 12 thousand euros and on ATAC financial instruments for 17 thousand euros and Losses from realisation (D) on Astaldi participatory financial instruments.
Item 1.3 UCI units Capital gains (A) refer to the BIM Thema Fund owned by the Bank for 77 thousand euros and to the Immobilium and PRS Italy Fund owned by InvestiRe SGR S.p.A., respectively for 149 thousand euros and 8 thousand euros; Capital losses (C) refer exclusively to the Bank and relates to the FIP Fund for 180 thousand euros, the Apple

Fund for 106 thousand euros and the New Millennium Funds for 5 thousand euros. The item gains from sale (B) refers to the Bank for the New Millenniun Total Return Fund for 94 thousand euros and to InvestiRe SGR S.p.A. for the IRS fund for 12 thousand euros.
At 31 December 2020 the item had a negative balance of 399 thousand euros.

Section 8 - Net impairment losses for credit risk - Item 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)						Reversals (2)				Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		*Acquired or originated impaired*		Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		
			Write-offs	Other	*Write-offs*	Other						
A. Loans and receivables with banks	(28)	(1)	-	-	-	-	2	-	-	-	(27)	(70)
- Loans	(28)	(1)	-	-	-	-	2	-	-	-	(27)	(70)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	(143)	(3)	(854)	(2,375)	-	-	47	883	1,438	-	(1,007)	(5,491)
- Loans	(38)	(3)	(854)	(2,375)	-	-	47	883	1,438	-	(902)	(5,613)
- Debt securities	(105)	-	-	-	-	-	-	-	-	-	(105)	122
Total	(171)	(4)	(854)	(2,375)	-	-	49	883	1,438	-	(1,034)	(5,561)

Please refer to the comments provided in the asset items Cash and cash equivalents and Financial assets at amortised cost: breakdown by product of loans and receivables with banks and loans and receivables with customers (asset tables of the notes to the financial statements 1.1, 4.1 and 4.2).

The adjustments/recoveries of the first and second stage receivables are reported as an overall net change for each stage.

8.1a Net impairment losses for credit risk associated with financial assets measured at cost subject to Covid-19 support measures: breakdown

Transactions/Income items	Net impairment losses						Total 2021	Total 2020
	Stages 1 and 2	Stage 2	Stage 3		*Acquired or originated impaired*			
			Write-offs	Other		Other		
1. Forborne performing exposure compliant with GL	3	-	-	-	-	-	3	(344)
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	351	(2)	-	-	-	-	349	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. New loans	-	16	-	-	-	-	16	(34)
Total 2021	354	14	-	-	-	-	368	
Total 2020	(378)							(378)

This table, which pertains exclusively to the Bank, shows the details of the value adjustments for loans subject to moratoriums or which constitute new liquidity granted through public guarantee mechanisms.

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

Transactions/Income items	Impairment losses (1)						Reversals (2)				Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		*Acquired or originated impaired*		Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		
			Write-offs	Other	*Write-offs*	Other						
A. Debt securities	(23)	-	-	-	-	-	-	-	-	-	(23)	399
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(23)	-	-	-	-	-	-	-	-	-	(23)	399

The item pertains exclusively to the Bank.

8.2a Net impairment losses for credit risk associated with financial assets at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

At 31 December 2021, there are no financial assets at fair value through other comprehensive income subject to Covid-19 support measures.

Section 9 - Net modification gains (losses) - Item 140

The item, pertaining exclusively to the Bank, at 31 December 2021 shows a negative balance of 157 thousand euros. At 31 December 2020 the item had a negative balance of 185 thousand euros.

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type expenses/Amounts	Total 2021	Total 2020
1) Employees	(35,599)	(33,706)
a) wages and salaries	(25,919)	(24,573)
b) social security charges	(6,834)	(6,442)
c) post-employment benefits	(664)	(642)
d) social security charges	-	-
e) provisions for post-employment benefits	(572)	(500)
f) provisions for retirement funds and similar obligations:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	(418)	(409)
- defined contribution plans	(418)	(409)
- defined benefit plans	-	-
h) costs from share-based payment agreements	-	-
i) other benefits to employees	(1,192)	(1,140)
2) Other non-retired personnel	(754)	(766)
3) Directors and Statutory Auditors	(1,708)	(1,553)
4) Retired personnel	-	-
Total	(38,061)	(36,025)

Personnel expenses increased by 2,036 thousand euros. The increase concerns the Bank for 657 thousand euros also for the inclusion in the workforce of high quality resources with consolidated professional experience and the subsidiary InvestiRE SGR S.p.A. for 1,359 thousand euros mainly due to the provision of the variable costs of the incentive system.

Item 1) e) does not include the actuarial gain referring to IAS provisions for post-employment benefits of 18 thousand euros (actuarial gain of 147 thousand euros in of 2020), recognised net of the tax effect among Valuation reserves.

12.2 Average number of employees by category

	Total 2021	Total 2020
Employees	343	342
(a) executives	59	56
(b) management	154	146
(c) remaining employees	130	140
Other staff	14	14

12.4 Other benefits to employees

The benefits in favour of employees amount to 1,192 thousand euros (compared to 1,140 thousand euros in the previous year) and relate to meal vouchers, collective health insurance, professional updates, cars and other benefits.

As required by accounting standard IFRS 16, lease payments referring to benefits assigned to personnel (company cars and employee accommodation) are recorded in the item charges for amortisation of the right of use.

12.5 Other administrative expenses: breakdown

Type expenses/Amounts	Total 2021	Total 2020
Rents and condominium fees	(459)	(416)
Membership fees	(218)	(215)
EDP expenses	(71)	(54)
Stationery and printing supplies	(42)	(32)
Consultancy and professional services	(2,188)	(2,070)
Outsourced services	(2,451)	(2,336)
Independent Auditors fees	(208)	(205)
Maintenance	(1,070)	(1,131)
Utilities and connections	(1,803)	(1,649)
Postal, transport and shipment fees	(50)	(46)
Insurance	(285)	(263)
Advertising, publications and sponsorships	(218)	(303)
Office cleaning	(367)	(375)
Books, newspapers and magazines	(87)	(91)
Entertainment expenses	(273)	(197)
Travel expenses and mileage-based reimbursements	(212)	(146)
Other taxes and duties	(5,345)	(4,458)
Security charges	(251)	(261)
Contributions to Resolution Funds and deposit guarantee schemes	(1,404)	(1,104)
Other	(884)	(813)
Total	(17,886)	(16,165)

Other administrative expenses increased by 1,721 thousand euros compared to the previous year and include recoveries from customers of some costs allocated under Other operating income, net. Net of those recoveries, other administrative expenses amounted to 12,610 thousand euros and increased by 842 thousand euros compared to the previous year (11,768 thousand euros), also due to the greater contribution to Resolution Funds and deposit guarantee schemes by the Bank.

The item Contributions to Resolution Funds and deposit guarantee schemes include contributions paid by the Bank to the Single Resolution Fund for 1,174 thousand euros, to the Interbank Deposit Protection Fund for 229 thousand euros and to the National Guarantee Fund for 1 thousand euros.

As required by IFRS 16, lease payments relating to other administrative expenses are recognised under the item right of use amortisation charges of 2,751 thousand euros (2,767 thousand euros in 2020).

Independent Auditors fees

According to the requirements of Article 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, the fees for the year 2021 are listed for the different types of services provided to the Group by the independent auditors and entities belonging to their networks.

	Subject providing the service	Fees for the year 2021 (in thousands of euro)
Audit	KPMG S.p.A.	(149)
Other services	KPMG S.p.A.	(49)
Total		(198)

The audit concerns the auditing of the separate and consolidated financial statements and of the consolidated half-year report, as well as accounting controls.

The audit fees do not include VAT, reimbursement of expenses and the supervisory fee. The total charge, including these items, amounts to 208 thousand euros.
The other services (not inclusive of VAT and reimbursement of expenses) refer to: i) the issue of a due diligence on a customer of the Bank for 15 thousand euros ; ii) the release of the annual report, referring to the 2020 financial year, concerning the safeguards adopted by the Bank with regard to the deposit and sub-deposit of customer assets in the context of the provision of investment services and activities for 30 thousand euros (as established by art. 23, paragraph 7 of the "Implementation Regulation of articles 4-undecies and 6, paragraph 1, letters b and c-bis, of the Consolidated Financial Law", adopted with a provision of the Bank of Italy dated 5 December 2019, such annual report must be issued by the subject in charge of auditing the accounts for the reference year); iii) the release of LRD Revision (Swiss law on money laundering) to Finnat Gestioni for 4 thousand euros.

Section 13 – Net reversals of (accruals to) provisions for risks and charges – Item 200

13.1. Net reversals of (accruals to) provisions for credit risk related to commitments to disburse funds and financial guarantees given: breakdown

	Reversals	Impairment losses	Total 2021	Total 2020
Commitments to disburse funds	104	-	104	(107)
Financial guarantees given	86	-	86	(37)
Total	190	-	190	(144)

The item pertains exclusively to the Bank.

13.3 Net reversal of (accruals to) provisions for risks and charges: breakdown

	Total 2021	Total 2020
Allocations	-	(67)
Utilisation	-	-
Total	-	(67)

Both items of Section 13, are commented on in Section 10 - "Provisions for risks and charges - Item 100" of the liabilities in the Statement of Financial Position.

Section 14 – Depreciation and net impairment losses on property, equipment and investment property – Item 210

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

Assets/Income items	Depreciation (a)	Impairment losses (b)	Reversals (c)	Net income (a+b-c)
A. Property, equipment and investment property				
1. used in operations	(3,413)	-	-	(3,413)
- owned	(375)	-	-	(375)
- rights of use acquired through leases	(3,038)	-	-	(3,038)
2. Investment property	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
3. inventory	X	-	-	-
Total	(3,413)	-	-	(3,413)

The item Rights of use acquired through leases refers to amortisation relating to employee benefits of 287 thousand euros and other administrative expenses of 2,751 thousand euros.
At 31 December 2020 amortisation stood at 3,423 thousand euros (of which 3,024 thousand euros relating to leases).

Section 15 - Amortisation and net impairment losses on intangible assets - Item 220

15.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals (c)	Net income (a+b-c)
A. Intangible assets				
of which software	(169)	-	-	(169)
1. owned	(205)	-	-	(205)
- internally generated by the company	-	-	-	-
- other	(205)	-	-	(205)
2. rights of use acquired through leases	-	-	-	-
Total	(205)	-	-	(205)

At 31 December 2020, amortisation stood at 245 thousand euros.

Section 16 - Other operating income, net – Item 230

16.1 Other operating expense: breakdown

	Total 2021	Total 2020
Amounts reimbursed to customers	(155)	(37)
Amortisation for improvements to third party assets	(70)	(55)
Other expenses	(703)	(65)
Total	(928)	(157)

16.2 Other operating income: breakdown

	Total 2021	Total 2020
Rental income	155	143
Recovery of stamp duty	4,452	3,804
Recovery of substitute tax	244	149
Recovery of other expenses	807	683
Dividend waiver and lapse of entitlement	295	253
Other income	422	115
Total	6,375	5,147

Section 16 - "Other operating income, net" showed a positive balance of 5,447 thousand euros compared to 4,990 thousand euros in 2020.

Income comprises recoveries of costs from customers, amounting to 5,503 thousand euros, of which 5,276 thousand euros referring to other administrative expenses (4,636 thousand euros in 2020, of which 4,397 thousand euros referring to other administrative expenses).

As required by article 1 paragraph 125 of Italian Law no. 124/2017, it should be noted that the income also includes the contributions disbursed by Fondimpresa for 17 thousand euros for plans implemented by the Bank for staff training and collected during the year.

The item also includes net charges pertaining to the Bank of 647 thousand euros due to settlement agreements (also linked to the acquisition of new customers) and administrative penalties.

Section 17 – Net loss on equity investments - Item 250

17.1 Net loss on equity investments: breakdown

Income items/Amounts	Total 2021	Total 2020
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains from disposals	-	-
3. Reversals	-	-
4. Other income	-	-
B. Expenses	(300)	(106)
1. Write-downs	(300)	(88)
2. Impairment losses	-	-
3. Losses from disposal	-	(18)
4. Other expenses	-	-
Net income	(300)	(106)
2) Companies subject to significant influence		
A. Income	58	-
1. Revaluations	-	-
2. Gains from disposals	24	-
3. Reversals	34	-
4. Other income	-	-
B. Expenses	-	(93)
1. Write-downs	-	-
2. Impairment losses	-	(93)
3. Losses from disposal	-	-
4. Other expenses	-	-
Net income	58	(93)
Total	(242)	(199)

The economic effect of the consolidation of REDO SGR S.p.A. is highlighted among the jointly controlled companies in item B. Charges

Among the companies subject to significant influence, item A.3 Value recoveries relates to the associate Imprebanca S.p.A. while item A.2 Profits from disposals relates to the liquidation profit of the associate Previra Invest S.p.A.

Section 21 - Income taxes – Item 300

21.1 Income taxes: breakdown

Income items/Amounts		Total 2021	Total 2020
1.	Current taxes (-)	(3,471)	(2,913)
2.	Changes in current taxes compared with previous years (+/-)	(13)	3
3.	Reduction in current taxes (+)	-	-
3.bis	Reduction in current taxes for tax receivables as per Italian Law no. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	159	(931)
5.	Change in deferred tax liabilities (+/-)	(183)	54
6.	Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(3,508)	(3,787)

Taxes refer to the Bank for -1,387 thousand euros (the amount includes the provision made at consolidation level for deferred taxes on expected dividends for 167 thousand euros), to InvestiRE SGR S.p.A. for -1,929 thousand euros, to other group companies for the difference.

21.2 Reconciliation of theoretical tax charge to total income tax expense for the period

	2021		
	IRES	IRAP	Total
Profit (loss) before taxes	12,140	12,140	
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX BURDEN	(2,914)	(676)	(3,590)
Additional IRES 3.5% for credit and financial institutions	(241)		(241)
GLOBAL THEORETICAL TAX BURDEN	(3,155)	(676)	(3,831)
Effect of income exempt or taxed at a subsidised rate	1,202	1,119	2,321
Effect of entirely or partially non-deductible charges	(226)	(367)	(593)
Effect of income/expenses that do not contribute to the IRAP tax base	-	(1,035)	(1,035)
Change in deferred tax liabilities	-	160	160
Changes in current /deferred taxes compared with previous financial years	(29)	-	(29)
Substitute tax for redemption	(334)	-	(334)
Consolidation adjustments	(112)	(55)	(167)
ACTUAL TAX BURDEN FOR FINANCIAL STATEMENTS	(2,654)	(854)	(3,508)

Section 23 - Profit for the year attributable to non-controlling interests – Item 340

23.1 Breakdown of item 340 "Profit for the year attributable to non-controlling interests"

Income items/Amounts	Total 2021	Total 2020
Equity investments in consolidated companies with significant non-controlling interests		
1. InvestiRE SGR S.p.A.	2,343	2,554
Other equity investments	159	133
Total	2,502	2,687

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

Section 25 – Earnings per share

25.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share, at consolidated level, are given below, in accordance with IAS 33. As no Group company holds any Parent Company shares, the consolidated figures coincide with those relating to the Bank.

The basic earnings (loss) per share are calculated by dividing the consolidated net income (in euro) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the year (the denominator).
For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding is calculated based on the ordinary shares outstanding at the beginning of the year, adjusted by the amount of ordinary shares purchased or issued or sold during the year multiplied by the number of days that the shares were outstanding, in proportion to the total days in the year. Shares outstanding do not include treasury shares.
The diluted earnings (loss) per share is calculated by adjusting the consolidated profit (losses) of ordinary shareholders, and likewise the weighted average of the shares outstanding, to take account of any impact by situations that result in dilution.

The following table shows the basic earnings (loss) per share.

	31.12.2021	31.12.2020
Profit for the year (in euros)	6,129,516	5,090,909
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.018348	0.015239

The following table shows the diluted earnings (loss) per share.

	31.12.2021	31.12.2020
Adjusted profit for the year (in euros)	6,129,516	5,090,909
Weighted average of ordinary shares with diluted capital	334,069,360	334,069,360
Diluted earnings (loss) per share	0.018348	0.015239

Since the Bank has no transactions under way that might determine changes to the number of shares outstanding and the earnings (loss) of ordinary shareholders, the diluted earnings (loss) per share coincides with the basic earnings per share and it is unnecessary to perform the reconciliation provided for by paragraph 70 of IAS 33.

25.2 Other information

At the reference date of the financial statements, no financial instruments that could lead to the dilution of the basic earnings (loss) per share had been issued.

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Part D - Statement of Comprehensive Income;

Consolidated Statement of Comprehensive Income

	Items	31.12.2021	31.12.2020
10.	Profit for the year	8,632	7,778
	Other comprehensive income after taxes that may not be reclassified to the income statement	3,371	1,036
20.	Equity instruments at fair value through other comprehensive income:	3,644	973
	a) change in fair value	3,644	973
	b) transfers to other components of equity	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in creditworthiness):	-	-
	a) change in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equity instruments at fair value through other comprehensive income	-	-
	a) change in fair value (hedged instrument)	-	-
	a) change in fair value (hedged instrument)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	18	147
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investments	(34)	20
100.	Income taxes relative to other comprehensive income that may not be reclassified to the income statement	257	104
	Other comprehensive income that may be reclassified to the income statement	(645)	1,033
110.	Foreign investment hedging:	-	-
	a) change in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) change in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated elements):	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:	(960)	1,752
	a) change in fair value	(731)	2,199
	b) reclassification to the income statement	(229)	(447)
	- adjustments for credit risk	23	(400)
	- profits/losses from disposal	(252)	(47)
	c) other changes	-	-
160.	Non-current assets held for sale and disposal groups:	-	-
	a) change in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity-accounted investments:	-	-
	a) change in fair value	-	-
	b) reclassification to the income statement	-	-
	- impairment losses	-	-
	- profits/losses from disposal	-	-
	c) other changes	-	-
180.	Income taxes relative to other comprehensive income that may be reclassified to the income statement	(315)	719
190.	Total other comprehensive income	2,726	2,069
200.	Comprehensive income (Items 10+190)	11,358	9,847
210.	Comprehensive income attributable to non-controlling interests	2,563	2,726
220.	Comprehensive income attributable to the owners of the parent	8,795	7,121

The positive change in Item 20. Equity instruments at fair value with an through other comprehensive income of 3,644 thousand euros, concerns the Bank and is attributable to the changes in fair value (before taxes) of the following securities: Sia S.p.A. +3,551 thousands euros, CSE S.r.l. -37 thousand euros and Net Insurance +130 thousand euros

The negative change in Item 150. Financial assets (other than equity instruments) measured at fair value through comprehensive income (before tax) of 960 thousand euros is mainly attributable to government securities.

At the end of the financial year valuation reserves of the Group (net of taxes) broke down as follows:

Financial assets at fair value through comprehensive income		
Parent Company		
Shares of SIA S.p.A.	8,078	euros
Fideuram Investimenti S.p.A. shares	910	euros
Units of CSE S.r.l.	-80	euros
Shares of Net Insurance S.p.A.	251	euros
Real Estate Roma Olgiata S.r.l	-443	euros
Debt securities	777	euros
	9,493	euros
Other Group companies (Debt securities)	-	euros
Total A)	9,493	euros
Defined benefit plans B)	-565	euros
Total (A + B)	8,928	euros

The valuation reserves amount to 10,292 thousand euros and include, in addition to the information detailed above, also the revaluation reserves pursuant to Italian Law no. 576/75, Italian Law no. 72/83 and Italian Law no. 413/91, recognised in the Bank's financial statements for a total of 1,364 thousand euros.

Part E - Information on risks and related hedging policies

Introduction

The Parent Company Banca Finnat and the subsidiaries direct their activities in accordance with criteria of prudence and reduced exposure to risks, inspired by the principle of sound and prudent management.

The Bank has defined its risk appetite by defining the risk objectives for the Group and the respective limits in the Risk Appetite Framework, within which its Bodies implement strategic guidelines according to its mission and the development of set objectives. Determined thresholds are calibrated in order to identify and intercept the gradual and possible deterioration of the Group's risk profile and solidity. The mandatory Pillar I limits, on the relationship between regulatory risk measures and own funds, are defined consistently with the provisions of the Supervisory provisions. Management limits, on the other hand, refer to the risk limit system that the Bank has introduced and developed over time and which has implemented in the respective internal regulations. In particular, the Bank has identified specific limits on the LCR and NSFR indicators. Furthermore, the bank carefully monitors market risk (measured by the VaR and the expected shortfall) of the country risk and the issuer risk in relation to the proprietary portfolios, as well as the interest rate risk and the concentration risk on the Banking Book.

Within the Risk Appetite Framework (RAF) document, the Bank defined the risk appetite for the Group, tolerance thresholds and assumable limits, in line with the Recovery Plan and the Planning and Budget process. Specifically, a system of limits has been defined as a management tool aimed at regulating the assumption of risks and guiding the restoration of normal conditions if the threshold values are exceeded. The RAF also defines the tolerance perimeter, deriving from assessments carried out under stress conditions, as well as the operational monitoring methods and protocols that can be activated in the event that the dynamics of the risk profile leads to exceeding the level corresponding to the maximum deviation allowed by the Risk Appetite Framework.

An important role for the purposes of risk management and monitoring is also played by the ICAAP/ILAAP report prepared annually by the Banca Finnat Group in compliance with the guidelines of the European Banking Authority and with the provisions of the provisions of the Bank of Italy.

The preparation of the ICAAP/ILAAP report, governed by internal procedures and carried out through the corporate bodies and the relevant structures, represents for the Group the final moment of the broader and ongoing self-assessment process relating to the verification of capital adequacy and its compliance with the RAF, the operational characteristics and the context in which the Group operates.

On the basis of the supervisory provisions, the Bank also carefully monitors liquidity risk, through a methodology that has been formalised in specific documents approved by the Board of Directors, and periodically carries out stress tests on credit, market, concentration and interest rate. The results of the analysis have been evaluated by the Board of Directors.

In compliance with Directive no. 2014/59/EU - Bank Recovery and Resolution Directive (BRRD), implemented by the Italian Parliament with Italian Legislative Decree no. 180 and 181/2015, in June 2020 the Bank prepared and sent to the Supervisory Authority the Group Recovery Plan after approval by the Bank's Board of Directors. The document was prepared in compliance with the implementing provisions contained in Title IV, Chapter 01-I of the Consolidated Banking Law and Title IV, Chapter I-bis of the Consolidate Financial Law (Provision on recovery plans). The Group Recovery Plan is expected to be sent next during the current year, by 30 April.

Section 1 - Risks of consolidated accounting

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: stocks, value adjustments, dynamics and economic distribution

A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolios/Quality	Bad loans	Probable defaults	Non-performing past due exposures	Past due performing exposures	Other performing exposures	Total
1. Financial assets at amortised cost	11,861	10,333	1,092	3,415	1,312,721	1,339,422
2. Financial assets at fair value through other comprehensive income	-	-	-	-	330,296	330,296
3. Financial assets at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	1,001	1,001
5. Financial assets under disposal	-	-	-	-	-	-
Total 2021	11,861	10,333	1,092	3,415	1,644,018	1,670,719
Total 2020	11,594	10,007	178	6,548	1,679,727	1,708,054

A.1.2 Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

Portfolios/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure	Total partial write-offs*	Gross exposure	Total impairment losses	Net exposure	
1. Financial assets at amortised cost	53,178	29,891	23,287	41	1,318,183	2,048	1,316,135	1,339,422
2. Financial assets at fair value through other comprehensive income	-	-	-	-	330,375	79	330,296	330,296
3. Financial assets at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 2021	53,178	29,891	23,287	41	1,648,558	2,127	1,646,431	1,669,718
Total 2020	50,998	29,219	21,779	-	1,689,405	3,130	1,686,275	1,708,054

* Value to be displayed for information purposes

Portfolios/Quality	Assets of obvious poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	2,574
2. Hedging derivatives	-	-	-
Total 2021	-	-	2,574
Total 2020	-	-	630

Section 2 - Risks of prudential consolidation

In this section, the data conventionally includes, in proportion to the interest held, also the assets and liabilities of the company REDO SGR S.p.A., a joint venture equity investment of the subsidiary Investire SGR S.p.A., consolidated proportionally for supervisory purposes.

The following table shows the reconciliation of the consolidated statement of financial position data with the statement of financial position data pertaining to the supervisory perimeter.

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

	Assets	31.12.2021 Financial statements	Effects of the consolidation of counterparties other than those included in the banking Group (*)	31.12.2021 Supervision
10.	Cash and cash equivalents	115,367	927	116,294
20.	Financial assets at fair value through profit or loss	35,459	-	35,459
	a) financial assets held for trading	9,327	-	9,327
	c) other financial assets mandatorily measured at fair value	26,132	-	26,132
30.	Financial assets at fair value through other comprehensive income	345,869	-	345,869
40.	Financial assets at amortised cost	1,339,422	445	1,339,867
	a) loans and receivables with banks	54,372	-	54,372
	b) loans and receivables with customers	1,285,050	445	1,285,495
70.	Equity investments	10,385	(3,737)	6,648
90.	Property, equipment and investment property	19,896	212	20,108
100.	Intangible assets	31,089	2,503	33,592
	of which:			
	- goodwill	28,129	2,300	30,429
110.	Tax assets	9,993	139	10,132
	a) current	74	-	74
	b) deferred	9,919	139	10,058
130.	Other assets	38,408	65	38,473
	Total assets	**1,945,888**	**554**	**1,946,442**

(*) the effects are attributable to the consolidation with the proportional method of REDO SGR S.p.A. (20% owned by the subsidiary InvestiRE SGR S.p.A.)

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

	Liabilities and equity	31.12.2021 Financial statements	Effects of the consolidation of counterparties other than those included in the banking Group (*)	31.12.2021 Supervision
10.	Financial liabilities at amortised cost	1,651,310	-	1,651,310
	a) due to banks	394	-	394
	b) due to customers	1,650,916	-	1,650,916
	c) securities issued	-	-	-
20.	Financial liabilities held for trading	2,065	-	2,065
60.	Tax liabilities	2,490	-	2,490
	a) current	911	-	911
	b) deferred	1,579	-	1,579
80.	Other liabilities	23,375	507	23,882
90.	Post-employment benefits	5,752	47	5,799
100.	Provisions for risks and charges:	124	-	124
	a) commitments and guarantees given	55	-	55
	c) other provisions for risks and charges	69	-	69
120.	Valuation reserves	10,292	-	10,292
150	Reserves	152,261	-	152,261
170.	Share capital	72,576	-	72,576
130.	Treasury shares (-)	(14,059)	-	(14,059)
190.	Non-controlling interests (+/-)	33,572	-	33,572
200.	Profit for the year (+/-)	6,130	-	6,130
	Total liabilities and equity	1,945,888	554	1,946,442

(*) the effects are attributable to the consolidation with the proportional method of REDO SGR S.p.A. (20% owned by the subsidiary InvestiRE SGR S.p.A.)

1.1 - Credit risk

Qualitative information

1. General aspects

Credit risk has been defined by the Group as the risk of incurring losses due to the unexpected worsening of the creditworthiness of a customer, also as a result of situations of contractual default. Credit risk can be broken down into:

- default risk: risk that the counterparty is unable to meet its obligations;
- spread/migration risk: risk of changes in the creditworthiness of the counterparty which determines an effect on the market value of the credit position;
- recovery risk: the risk that the recovery actually achieved at the end of the asset liquidation of an insolvent counterparty is lower than originally estimated by the bank.

The Bank's credit risk monitoring is carried out continuously by the Parent Company's Risk Control Function, the Credit Department, the Credit Committee and the other pertaining functions.
For the quantification of the current internal capital on credit risk, the standardised methodology is used for the determination of the prudential capital requirements pursuant to EC Regulation no. 575/2013.

Impacts deriving from the Covid-19 pandemic

Following the spread of the Covid-19 pandemic, the Bank granted those of its customers who requested it and met the necessary requisites the option to take advantage of the moratoriums provided by the"Cura Italia" Decree.
The Bank also implemented a voluntary commercial initiative with performing customers aimed at suspending the payment of the principal amount of mortgages and other loans repaid by instalments. The suspension had a maximum duration of 12 months for companies and 6 months for individuals, with the extension of the duration of the loan by the corresponding period; this initiative was aimed at all customers whose debt exposures were not classified as non-performing credit exposures.

2. Credit risk management policies

2.1 Organisational aspects
The Bank's strategy, which has always been aimed at optimising the relationship with customers, was intended to provide financial services with high added value to high-standing customers, with the objective of ensuring their loyalty.

With this in mind, the Bank aims to offer actual or potential customers, not only services of primary interest, such as those relating to private banking, investment banking, fiduciary and advisory services, but also credit facilities to build long-term relationships. In order to carry out activities involving the assumption of credit risk, the Bank has adopted a specific Credit Regulation, which formalises the processes and criteria to be applied to the disbursement of new loans or the granting of credit lines in accordance with credit policies and corporate strategic guidelines.

Loans granted by the Bank mainly fall within the following categories:

- loans to customers and banks (typically on sight and maturity credit lines and mortgages that provide for fixed or in any case determinable payments);
- trade receivables;
- repurchase agreements.

After initial recognition, receivables are measured at amortised cost equal to the value of initial recognition decreased/increased by capital repayments, value adjustments/recoveries and amortisation calculated using the effective interest rate method.

In order to mitigate the credit risk and avoid the emergence of situations that could lead to losses and write-downs on the loan portfolio, the Bank carries out a credit activity that favours loans "guaranteed" in real terms or those secured by a pledge on securities, assets and real estate mortgages, occasionally granting credit lines to known and consolidated customers based on the creditworthiness of the borrower.

The company structure and organisation, characterised by the small size and the precise formalisation of credit granting/disbursement procedures, also make it possible to provide customers with primary interest services, granted with decision-making procedures in short time frames.

The operational strategy adopted by the Bank, outlined previously, has ensured that:

- existing transactions have low risk margins;
- the amount of non-performing loans (net of impairment losses made) is contained in a percentage of approximately 1% of total loans and receivables with customers included in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality reported in subsequent pages;
- lending activities provide a positive image and prestige return for the Bank, with positive effects on “traditional” activities.

2.2 Management, measurement and control systems

The assessment of the credit risk and creditworthiness of customers is entrusted to the delegated bodies which act in accordance with explicit powers specifically assigned. The delegated bodies receive all the information necessary for assessing the creditworthiness of customers so that they can express their opinion on loan transactions without delay.

The Bank's lending process is illustrated below.

<u>Assessment of creditworthiness of loan applicants</u>

The assessment of creditworthiness, promptly proceduralised, is aimed above all at ascertaining the existence of the repayment capacity of applicants and at verifying the compatibility existing between the individual loan requests and the company strategies concerning the choices of the size and breakdown of the credit portfolio.

The corporate functions involved in creditworthiness assessment provide to:

- accept customer financing requests;
- acquire all the documentation necessary for examining the equity, financial and economic situation of the applicant and of any guarantors, to instruct the credit line procedure;
- analyse the qualitative information concerning new customers and update the information for existing customers;
- verify the reliability of the data reported in the documentation and information requested;
- with reference to the investigation carried out, formulate an opinion regarding the applicant's creditworthiness;
- connect the borrower's various relationships, both active and passive, and also the credit lines granted with the guarantees offered and the guarantees received with the guarantors proposed;
- prepare a summary of the assessments regarding the reliability or otherwise of the customer and formulate an opinion on the amount of the credit that can be granted, the technical form for the use of the same, as well as highlight the guarantees to be acquired in relation to both quantitative and qualitative aspects.

The Bank also carries out a qualitative assessment of credit exposures on the basis of an internal management-type rating system offered by the CSE outsourcer which allows customers to be classified into risk classes corresponding to different insolvency probability levels.

For the assessment of creditworthiness and the related subdivision into rating classes, the main areas of investigation cover the analysis of the data listed below:

- internal performance data;
- system performance data (notifications from risk centre);
- financial statements information (central financial statements archives);
- socio-demographic information;
- variables are estimated individually with respect to the areas subject to investigation and subsequently integrated into the final model, separately for individuals and businesses.

Granting of loans

Credit lines are granted by the decision-making body taking into due consideration all the reasons that led to the determination of the amount that can be granted and the guarantees required, depending on transaction's risk level.
Once the loan proposal has been approved:

- guarantees are acquired and the transactions for the completion of the loan granted are carried out;
- the loan is paid out;
- the necessary implementation of the transaction is carried out within the IT system for the purposes of periodic checks, of the request for due instalments, of the timely revision of the rate where applicable and/or of the guarantees.

Management of anomalous loans

The management of anomalous loans takes place through the careful and periodic analysis of past due positions carried out by the relevant company functions, by the Credit Committee and under the supervision of General Management. In particular, the Bank's General Management and the departments concerned receive, with a predetermined frequency, adequate reports on the trend of non-performing loans, detailed by individual customer, both assigned and not.

Group's non-performing loans, net of write-downs, amount to a total of 23,287 thousand euros, represented by bad loans for 11,861 thousand euros, unlikely to pay for 10,033 thousand euros and past due exposures for 1,093 thousand euros.

In this regard, it should be noted that impaired loans net of write-downs at the end of the 2021 financial year represent 1.8% of the total of the item loans to customers included in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality reported in the subsequent pages.

Performing stress tests

The Bank performs stress test simulations on credit risk at pre-established intervals aimed at quantifying capital absorption and determining related capital ratios. The methodology adopted for conducting the stress test on credit and counterparty risk assumes two different stress scenarios, which occur simultaneously which are attributable to an increase in bad loans and non-performing loans and a reduction in the value of the securities held. The verification of the capital solidity of the Bank and of the Group in the event of adverse scenarios is carried out by measuring the impacts that the results of the stress tests determine on the capital ratios.

2.3 Methods of measuring expected losses

The criteria and logic used to determine the expected losses are described in the Bank's ECL Policy, which has as its perimeter of application financial and commercial receivables, as well as the proprietary financial instruments, in order to verify and evaluate their creditworthiness.

The amount of expected losses depends on the extent of the deterioration in credit quality with respect to initial recognition and takes into account the guarantees held to mitigate the credit risk.

Consistently with the provisions of IFRS 9, the Bank adopts the following approach for the calculation of impairment:
- 12-months expected credit losses (Stage 1): if, at the reporting date, the credit risk of a financial instrument has not increased significantly compared to the "first recognition" date, the Bank measures the losses for that financial instrument as the amount equal to the expected losses over the next 12 months;
-Lifetime months expected credit losses (Stage 2): at each reporting date, the Bank measures losses for a financial instrument as the amount equal to the expected losses over its lifetime if the risk of that instrument has significantly increased compared to the first recognition date.

As regards the staging rules and the criteria for registering credits within the respective "buckets", reference is made to the staging allocation Policy approved by the Board of Directors.

Consistently with the provisions of IFRS 9, the model requires the calculation of a provision at each cash flow date of the case in order to carry out a final "multi-period type" totalisation. In the event of cases with maturity, a calculation is therefore made at the date of each future instalment, while for demand items a single calculation is made relating to the cash flow placed at maturity date.

For each period, the calculation is as follows:
- ECL(t) = EAD(t) * LGD(t) * marginal PD (t) * DF(t)
- ECL(t) = contribution to the provision for period t (from effective date to expiry date). The first period (first instalment for items at maturity or all those on demand) always starts on the date of calculation of the provisions
- t = cash flow due date
- EAD(t) = exposure at date t; amortised cost for maturity cases, balance for on demand items
- LGD (t) = lgd at time t obtained through IFRS 9 logic
- Marginal PD (t) = cumulative PD (t) - cumulative PD (t-1) obtained from the PD lifetime curves for the segment and class associated with the counterpart
- DF(t) = discount factor at time t calculated at the IRR (internal rate of return) on a 360 basis

The expected credit loss of financial instruments represented by securities is processed by a leading external specialised company and provided, for each financial instrument, through management applications. The information flow occurs on a quarterly basis and the organisational units apply the rules envisaged in the staging allocation Policy for classification in the correct reference bucket. Probability default measures are extracted from listed credit spreads and therefore have an information content capable of summarising the expectations of occurrence of future events incorporated by the market (forward looking measures). The probabilities of default and LGDs are estimated for each issuer and associated with the respective issues, providing for a differentiation based on the level of subordination (senior and subordinated issues).

The default probability term structure for each issuer is estimated starting from the information and credit spreads quoted daily on the financial markets (i.e. CDS spreads and bond prices). Preferably, the specific credit spreads of the individual issuer are used; in this perspective, a credit spread is considered specific when it is directly referable to the ''risk group'' to which the rated issuer belongs. In the event that, for a given issuer, equally significant specific credit spreads are available on several markets, the market preferentially used is that of CDS.

The mapping of individual issuers to the comparable issuer or to the reference cluster is carried out on the basis of the following analysis axes:
- industrial sector,

- geographical area of interest,
- rating (ECAI);
- analysis of fundamental financial statement data.

For financial instruments, the loss given default is assumed to be constant for the entire time period of the financial asset under analysis and is a function of two factors:
- instrument ranking;
- classification of the country of origin of the issuing body.

For countries considered to be developed, the LGD is set equal to 0.6 for senior issues and 0.8 for subordinated issues. For covered issues, the value changes as the rating assigned to the individual security in question changes. Unlike for emerging countries with equal subordination, the LGD level is higher, in fact the senior issues are subject to an LGD of 0.75 and subordinated ones to an LGD equal to 1.

Scenarios

The impairment model adopted by the Bank, in compliance with the provisions of IFRS 9, provides for the use of "forward looking scenario" which are identified in a "base scenario", a "scenario up" and a "scenario down", each of which is associated with a probability of occurrence. In compliance with the principle of proportionality, also dictated by the low volumes of loan disbursements, the Bank has adopted models and scenarios developed by a leading specialised external supplier.
The scenarios include forecasts on the main macroeconomic variables, the probability of occurrence of the scenarios used at 31 December 2021 is 90% for the "down scenario" and 5% for the "up scenario" and for the "base scenario".
The macroeconomic scenario used at 31 December 2021 has been updated by an external company specialising in the sector and includes the most up-to-date forecasts also used at the consortium level.
As anticipated, the Bank used a scenario that envisaged the adoption of a probability of occurrence of the down forecast of 90%, compared to a standard of 5% used prior to the Covid-19 pandemic. This approach resulted in an increase in impairment losses on performing loans of approximately 195 thousand euros.

Changes due to Covid-19

To determine the collective write-down of performing positions, as in previous financial years, the bank used the consortium model developed by the IT outsourcer in accordance with IFRS 9, which takes into account the updating of the historical series of risk parameters and macroeconomic factors based on the latest available forecasts.

Assessment of the significant increase in credit risk (SICR)
The Bank assessed any increase in credit risk using current and prospective reasonable and sustainable information at the date of preparation of these financial statements. The economic support measures put in place by the Government to support debtors in response to Covid-19 were not considered as measures that automatically trigger a SICR.

Measurement of expected credit losses

As regards the information on the adjustments made to the expected loss measurement models, as previously specified, the Bank uses the estimation model implemented by the IT outsourcer which incorporates the macroeconomic scenarios, implemented by a leading supplier; for the purpose of calculating the impairment, these scenarios weigh: base scenario at 90%, scenario up at 5% and scenario down at 5%. Details of the main scenario used (base scenario) are shown below.

BASIC SCENARIO

		2020	2021	2022	2023	2024	2025
Brent oil: $ per barrel	level	43.00	69.00	70.00	67.00	66.00	67.00
Dollar euro exchange rate	level	1.14	1.19	1.18	1.19	1.19	1.20
EMU refinancing rate	level %	0.00	0.00	0.00	0.00	0.25	0.50
10Y Bund interest rate	level %	-0.51	-0.38	-0.03	0.27	0.59	0.87
10Y BTP-Bund Spread	level %	1.64	1.07	0.99	0.94	0.91	0.87
developing countries GDP	% change	-2.20	6.10	4.10	4.10	4.00	4.10
US GDP	% change	-3.40	6.00	4.10	2.50	2.40	2.10
EMU GDP	% change	-6.50	5.00	4.20	2.60	1.90	1.60
Italy stock index	% change	-6.20	24.50	8.10	6.90	9.40	9.50
Italy GDP	% change	-8.90	6.00	3.80	2.80	2.00	1.60
Imports of goods and services FOB	% change	-13.10	13.20	11.90	7.20	5.60	5.00
Expenditure by households and Isp	% change	-10.70	4.80	3.80	2.80	2.60	2.40
Expenditure by public administrations	% change	1.60	1.40	0.50	0.10	-0.20	-0.10
Investments in construction	% change	-6.60	21.60	8.00	7.10	3.90	2.80
Investments in machinery, equipment various products, mt	% change	-11.30	11.20	9.40	6.20	5.70	4.30
Exports of goods and services FOB	% change	-14.50	12.60	9.20	5.80	3.60	3.20
Consumption propensity	level %	84.70	85.90	87.90	89.50	90.90	92.10
Consumer prices	% change	-0.10	1.80	1.50	1.40	1.70	1.80
Employment rate	level %	59.30	59.90	60.90	61.90	63.10	64.20
Unemployment rate	level %	9.30	9.80	10.40	10.30	9.40	8.70

E-MARKET SDIR CERTIFIED

BASIC SCENARIO

		2020	2021	2022	2023	2024	2025
Total loans adjusted for disposals	% change	2.20	1.50	2.30	2.20	2.00	1.80
Total loans	% change	0.50	0.30	1.60	1.70	1.60	1.60
Loans to non-financial companies	% change	5.80	-1.40	0.60	0.90	0.80	0.90
Loans to households	% change	1.60	3.10	3.30	3.00	2.90	2.90
Bad loans	% change	-28.70	-22.40	-0.50	-9.80	-18.00	-19.70
Households, (total assets, stocks)	% change	2.20	5.80	3.10	2.70	2.10	1.80
- liquidity portion	level %	32.80	32.30	31.80	31.00	30.30	29.50
- portion of securities	level %	5.20	4.50	4.10	3.80	3.70	3.70
- portion of mutual funds	level %	14.40	15.00	15.50	15.90	16.20	16.50
- portion of technical reserves	level %	24.90	24.70	25.10	25.50	25.90	26.30
- portion of shares and equity investments	level %	19.60	20.40	20.60	20.80	21.00	21.10
Average interest rate on loans	level %	2.37	2.22	2.22	2.31	2.49	2.63
3-month EMU interbank rate	level %	-0.41	-0.53	-0.49	-0.38	-0.14	0.07
3Y EURIRS interest rate	level %	-0.39	-0.40	-0.09	0.11	0.40	0.63
10Y EURIRS interest rate	level %	-0.13	0.03	0.38	0.66	0.97	1.23
3Y BTP interest rate	level %	0.19	-0.27	-0.17	-0.01	0.29	0.52
10Y BTP interest rate	level %	1.13	0.69	0.96	1.21	1.50	1.74

2.4 Credit risk mitigation techniques

Credit risk mitigation techniques represent a tool for reducing or transferring part of the credit risk on the exposures originated and reducing the loss that would occur in the event of counterparty default (Loss given default).

Credit risk mitigation is implemented by favouring mainly transactions backed by collateral. Loans and disbursements are granted by the delegated corporate bodies only following a careful and weighted analysis of creditworthiness and of the validity and consistency of the guarantees provided. Guarantees must be explicit and must not be subject to conditions, as required by the Supervisory Instructions.

The real guarantees most used by the Bank are represented by mortgages on residential and non-residential properties, pledges on financial instruments and liquidity. With the aim of identifying and preventing deterioration in the value of the guarantees held, the estimated or appraisal value of the asset (net of any encumbrances) or the market value, in the case of listed securities, is monitored on the collateral. For movable assets taken as collateral, and subject to fluctuations in values, a "spread" is applied to the countervalue that is subject to periodic reviews and in any case whenever there are significant decreases in their price. With regard to mortgages, the value of the properties is periodically reviewed. To this end, the Bank makes use of third parties with proven experience based on the provisions of article 120 duodecies of the Consolidated Banking Law and the implementing provisions of the Bank of Italy.

In the case of personal guarantees received, the guarantor must undertake a legally binding commitment to satisfy the obligations relating to one or more credit concessions pertaining to a specific subject. With reference to "letters of patronage", only those that do not have the declaratory nature of a parent company's shareholding relationship are to be considered, but those for which the guarantee function is pre-eminent, so that the commitment assumed can actually be configured as a surety-type obligation, with an ancillary nature compared to the main one of the subsidiary.

3. Non-performing credit exposures

3.1 Management strategies and policies

The classification of impaired financial assets into the various default categories takes place in compliance with the instructions issued by the Supervisory Authority as indicated in the 2008 Circular 272 of Bank of Italy (and subsequent updates). Loans classified as Bad Loans are subject to an analytical assessment process by the Credit Committee, the Credit Department and the Risk Management Function, which analyse the position and the Guarantees held in order to estimate their presumed realisable value. The analysis carried out follows criteria precisely defined within the company policies. In this context, the recovery times Time value on bad loans are also stable. Non-performing loans (UTP and Past due), consistently with the provisions of IFRS 9, are subject to a fund valuation process that includes forward looking valuation.

In consideration of the small number of positions classified as past-due or UTP, and with the aim of carrying out an assessment as refined as possible, the Bank also carries out analytical assessments of non-performing loans using the same logic provided for loans classified as suffering, where peculiarities are identified that make the analytical evaluation more reliable than the statistical one.

The monitoring of loans granted to customers is carried out by the Risk Control OU which, with the support of automated IT tools, prepares adequate reports for the Top Management at a predetermined frequency. The subsequent assessment and classification of non-performing loans is carried out by specific committees set up within the Bank which each time assess the individual credit exposures, the creditworthiness of customers, the guarantees and any other factor that may affect the assessment of the credit exposures.

With reference to bad loans, management is carried out by the Legal Department for recovery activities.

3.2 Write-offs

Writing-off constitutes an event that gives rise to an accounting derecognition when there are no longer reasonable expectations of recovering the financial asset. It can occur before the legal actions for the recovery of the financial asset have ended and does not necessarily involve the waiver of the legal right to recover the credit by the bank.

The write-off can concern the entire amount of a financial asset or a portion of it and corresponds to:

- the reversal of total impairment losses, as a contra entry to the gross value of the financial asset, and
- for the part exceeding the total impairment losses, to the impairment of the financial asset recognised directly in the income statement.

Any recoveries from collections subsequent to the write-off are recognised in the income statement under write-backs.

The term “total write-offs ” means the cumulative amounts of partial and total write-offs on financial assets.
During the year ended 31 December 2021, the amount of the positions subject to write-off is equal to 802 thousand euros.

3.3 Acquired or originated impaired financial assets

They represent exposures that meet the definition of acquired or originated impaired financial asset as per Appendix A of IFRS 9. This includes, inter alia, non-performing credit exposures acquired as part of disposal transactions (individual or portfolio) and business combinations.
At 31 December 2021, the Bank does not hold financial assets falling under this category.

4. Financial assets subject to commercial renegotiations and forborne exposures

Forborne exposures are defined as those deriving from concessions made in the presence of both of the following two conditions:

- the debtor, due to their own financial difficulties, is (or is close to becoming) unable to comply with the terms of the contract;
- the lender makes a favourable concession to the debtor due to the difficulties highlighted.

The forborne attribute is assigned at the level of a single credit line upon the occurrence of specific conditions of difficulty of the debtor in fulfilling their obligations, associated with an activity of the Bank aimed at overcoming such difficulties (forbearance measures).

Forborne exposures can be found both within the categories of non-performing loans and in the category of performing loans, in relation to the risk status of the exposure at the time of the concession.

With reference to the two main directives, dictated by the EBA in primis, by Circular no. 272 and clarified and made explicit with the Consultation Report drawn up by Banca Italia, the Bank sets the following lines for:

- the identification of forbearance measures;
- the management and monitoring of the loans subject to these measures.

In general, the following forborne measures are identified:

a) extension of the expiry date of the loan;
b) reduction of the interest rate applied;
c) transformation of the credit line from maturity to revocation;
d) modification of the instalment deadline frequency;
e) change in the type of amortisation.

According to internal policies, the concessions made by the Bank to debtors who do not present conditions of financial difficulty are excluded considering:

- either earning capacity;
- or their credit reserve in the banking system and their ability to obtain financing from the same.

The attribution of the forborne status is the responsibility of the body deliberating the granting of the forbearance measure. The management of the loans subject to forborne measures takes place through the IT procedure and the monitoring provides, among other things, a quarterly information report to the Credit Committee.

At 31 December 2021 there were 47 “forborne” exposures, of which:

- 21 non-performing positions totalling 39,141 thousand euros (18,928 thousand euros net of write-downs), of which 3 positions included among bad loans of 26,504 thousand euros, 17 positions included among unlikely-to-pay of 12,362 thousand euros and one position included among past due of 275 thousand euros.
- 26 performing positions totalling 15,728 thousand euros.

In several documents, the EBA has clarified that the legislative moratoriums granted in response to the Covid 19 emergency do not involve an automatic classification of the position as forbearance.

Banca Finnat has defined the criteria which, if respected, do not lead to the classification as forborne of a position that benefited from the moratorium.

As regards the SICR assessing process and measuring the expected losses, please refer to the previous paragraph "2.3 Methods of measuring expected losses", sub-paragraph "Changes due to Covid-19".

Quantitative information

C. Credit quality

A.1 Non-performing and performing exposures: consistency, impairment losses, dynamics, economic distribution

A.1.1 Prudential consolidation - Distribution of financial assets by past due brackets (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	1 day to 30 days	More than 30 days up to 90 days	Over 90 days	1 day to 30 days	More than 30 days up to 90 days	Over 90 days	1 day to 30 days	More than 30 days up to 90 days	Over 90 days
1. Financial assets at amortised cost	1,209	-	-	1,765	440	-	1,536	-	20,318
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-
Total 2021	1,209	-	-	1,765	440	-	1,536	-	20,318
Total 2020	1,656	-	41	1,590	1,938	1,323	7,567	47	12,183

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of total impairment losses and overall provisions (1 of 3)

Risk reason/stages	Total impairment losses											
	Assets falling under the stage 1						Assets falling under the stage 2					
	Loans to banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs
Opening overall adjustments	68	1,440	100	-	1,608	-	-	1,518	-	-	1,518	-
Increases from acquired or originated financial assets	-	366	38	-	404	-	-	65	-	-	65	-
Cancellations other than write-offs	-	(192)	(42)	-	(234)	-	-	(236)	-	-	(236)	-
Net impairment losses for credit risk	34	(237)	(17)	-	(227)	-	-	(528)	-	-	(528)	-
Contractual modification without cancellations	-	(1)	-	-	(1)	-	-	(147)	-	-	(147)	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Closing overall adjustments	102	1,376	79	-	1,550	-	-	672	-	-	672	-
Recoveries from financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	- 3.00	-	-	- 3.00	-	-	-	-	-	-	-

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of total impairment losses and total provisions (2 of 3)

Risk reason/stages	Total impairment losses										
	Assets falling under stage 3						Acquired or originated impaired financial assets				
	Loans to banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual write-downs	of which: collective write-downs
Opening overall adjustments	-	29,219	-	-	29,219	-	-	-	-	-	-
Increases from acquired or originated financial assets	-	72	-	-	72	-	X	X	X	X	X
Cancellations other than write-offs	-	(46)	-	-	(46)	-	-	-	-	-	-
Net impairment losses for credit risk	-	1,497	-	-	1,497	-	-	-	-	-	-
Contractual modification without cancellations	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(851)	-	-	(851)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-
Closing overall adjustments	-	29,891	-	-	29,891	-	-	-	-	-	-
Recoveries from financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(1)	-	-	(1)	-	-	-	-	-	-

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of total impairment losses and overall provisions (3 of 3)

Risk reason/stages	Overall provisions on commitments to disburse funds and financial guarantees issued				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and impaired acquired or originated financial guarantees issued	
Opening overall adjustments	211	21	13	-	32,590
Increases from acquired or originated financial assets	11	-	-	-	552
Cancellations other than write-offs	(9)	(1)	-	-	(526)
Net impairment losses for credit risk	(174)	(17)	-	-	558
Contractual modification without cancellations	-	-	-	-	(148)
Changes in the estimation methodology	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	(851)
Other changes	-	-	-	-	-
Closing overall adjustments	39	3	13	-	32,175
Recoveries from financial assets subject to write-offs	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	(4)

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	from stage 1 to stage 2	from stage 2 to stage 1	from stage 2 to stage 3	from stage 3 to stage 2	from stage 1 to stage 3	from stage 3 to stage 1
1. Financial assets at amortised cost	24,039	14,767	4,257	50	532	1
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Commitments to disburse funds and financial guarantees issued	277	1,096	-	-	-	-
Total 2021	24,316	15,863	4,257	50	532	1
Total 2020	41,306	11,642	12,060	600	162	-

A.1.3a Prudential consolidation - Loans subject to Covid-19 support measures: transfers between the different stages of credit risk (gross values)

Portfolios/risk stages	Gross values					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	from stage 1 to stage 2	from stage 2 to stage 1	from stage 2 to stage 3	from stage 3 to stage 2	from stage 1 to stage 3	from stage 3 to stage 1
A. Financial assets at amortised cost	-	8,814	-	-	-	-
A.1 forborne performing exposure compliant with GL	-	76	-	-	-	-
A.2 subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	8,713	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new loans	-	25	-	-	-	-
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
B.1 forborne performing exposure compliant with GL	-	-	-	-	-	-
B.2 subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 2021	-	8,814	-	-	-	-
Total 2020	10,871	86	-	-	-	-

A.1.4 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to banks: gross and net values

Type of exposures/Amounts		Gross exposure					Total impairment losses and overall provisions					Net exposure	Total partial write-offs*
			Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		
A.	On-balance sheet credit exposures												
A.1	On demand												
a)	Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	115,750	115,750	-	X	-	102	102	-	X	-	115,648	-
A.2	Other											-	-
a)	Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne performing exposures	-	X	-	-	-	-	X	-	-	-	-	-
b)	Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne performing exposures	-	X	-	-	-	-	X	-	-	-	-	-
c)	Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne performing exposures	-	X	-	-	-	-	X	-	-	-	-	-
d)	Past due performing exposures	-	-	-	X	-	-	-	-	X	-	-	-
	- of which: forborne performing exposures	-	-	-	X	-	-	-	-	X	-	-	-
e)	Other performing exposures	67,185	67,166	-	X	-	23	23	-	X	-	67,162	-
	- of which: forborne performing exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)		182,935	182,916	-	-	-	125	125	-	-	-	182,810	-
B.	Off-balance sheet credit exposures												
a)	Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	700	649	-	X	-	1	1	-	X	-	699	-
Total (B)		700	649	-	-	-	1	1	-	-	-	699	-
Total (A+B)		183,635	183,565	-	-	-	126	126	-	-	-	183,509	-

* Value to be displayed for information purposes.

A.1.5 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/Amounts	Gross exposure					Total impairment losses and overall provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		
A. On-balance sheet credit exposures												
a) Bad loans	38,749	X	-	38,749	-	26,888	X	-	26,888	-	11,861	41
- of which: forborne performing exposures	26,504	X	-	26,504	-	17,407	X	-	17,407	-	9,097	-
b) Unlikely to pay	13,304	X	-	13,304	-	2,971	X	-	2,971	-	10,333	-
- of which: forborne performing exposures	12,362	X	-	12,362	-	2,802	X	-	2,802	-	9,560	-
c) Non-performing past due exposures	1,126	X	-	1,126	-	33	X	-	33	-	1,093	-
- of which: forborne performing exposures	275	X	-	275	-	5	X	-	5	-	270	-
d) Past due performing exposures	3,441	1,211	2,230	X	-	26	1	25	X	-	3,415	-
- of which: forborne performing exposures	1,050	-	1,050	X	-	21	-	21	X	-	1,029	-
e) Other performing exposures	1,580,184	1,516,201	62,196	X	-	2,078	1,432	646	X	-	1,578,106	-
- of which: forborne performing exposures	14,678	-	14,678	X	-	203	-	203	X	-	14,475	-
Total (A)	1,636,804	1,517,412	64,426	53,179	-	31,996	1,433	671	29,892	-	1,604,808	41
B. Off-balance sheet credit exposures												
a) Non-performing	462	X	-	299	-	13	X	-	13	-	449	-
b) Performing	200,068	6,708	4,296	X	-	42	38	4	X	-	200,026	-
Total (B)	200,530	6,708	4,296	299	-	55	38	4	13	-	200,475	-
Total (A+B)	1,837,334	1,524,120	68,722	53,478	-	32,051	1,471	675	29,905	-	1,805,283	41

* Value to be displayed for information purposes.

A.1.5a Prudential consolidation - Loans subject to Covid-19 support measures: gross and net values

Type of exposures/Amounts		Gross exposure					Total impairment losses and overall provisions					Net exposure	Total partial write-offs*
			Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		
A.	Bad loans:	-	-	-	-	-	-	-	-	-	-	-	-
a)	Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b)	Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c)	Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d)	New loans	-	-	-	-	-	-	-	-	-	-	-	-
B.	Loans in unlikely to pay:	-	-	-	-	-	-	-	-	-	-	-	-
a)	Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b)	Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c)	Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d)	New loans	-	-	-	-	-	-	-	-	-	-	-	-
C.	Non-performing past due loans:	-	-	-	-	-	-	-	-	-	-	-	-
a)	Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b)	Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c)	Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d)	New loans	-	-	-	-	-	-	-	-	-	-	-	-
D.	Performing past due loans:	-	-	-	-	-	-	-	-	-	-	-	-
a)	Forborne performing exposure compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b)	Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	-	-	-	-	-	-	-	-	-	-	-	-
c)	Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d)	New loans	-	-	-	-	-	-	-	-	-	-	-	-
E.	Other performing loans:	30,542	29,058	1,484	-	-	228	190	38	-	-	30,314	-
a)	Forborne performing exposure compliant with GL	1,571	1,571	-	-	-	3	3	-	-	-	1,568	-
b)	Subject to moratorium measures in place no longer compliant with GL and not assessed as forborne performing exposure	16,756	15,272	1,484	-	-	208	170	38	-	-	16,548	-
c)	Subject of other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d)	New loans	12,215	12,215	-	-	-	17	17	-	-	-	12,198	-
Total (A+B+C+D+E)		30,542	29,058	1,484	-	-	228	190	38	-	-	30,314	-

* Value to be displayed for information purposes.

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A.1.7 Prudential consolidation - On-balance sheet credit exposures to customers: dynamics of gross impaired exposures

Reasons/Categories	Bad loans	Probable defaults	Non-performing past due exposures
A. Initial gross exposure	37,086	13,711	201
- of which: non-derecognised sold exposures			
B. Increases	3,319	4,143	1,213
B.1 inflows from performing exposures	55	3,607	1,201
B.2 inflows from acquired or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	121	110	-
B.4 contractual modification without cancellations	-	-	-
B.5 other increases	3,143	426	12
C. Decreases	1,656	4,550	288
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	791	60	-
C.3 collections	859	4,338	178
C.4 realisations from disposals	-	-	-
C.5 losses from disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	6	121	103
C.7 contractual modification without cancellations	-	-	-
C.8 other decreases	-	31	7
D. Final gross exposure	38,749	13,304	1,126
- of which: non-derecognised sold exposures			

A.1.7bis Prudential consolidation - On-balance sheet credit exposures to customers: dynamics of gross exposures forborne performing exposures broken down by credit quality

Reason/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	37,105	12,887
- of which: non-derecognised sold exposures	-	-
B. Increases	7,007	9,797
B.1 inflows from not forborne non-performing exposures	475	9,124
B.2 inflows from forborne performing exposures	3,262	X
B.3 inflows from forborne non-performing exposures	X	-
B.4 other increases	3,270	673
C. Decreases	4,971	6,956
C.1 outflows to not forborne performing exposures	X	-
C.2 outflows to forborne performing exposures	-	X
C.3 outflows to forborne non-performing exposures	X	3,262
C.4 write-offs	133	-
C.5 collections	3,990	3,631
C.6 realisations from disposals	-	-
C.7 losses from disposal	-	-
C.8 other decreases	848	63
D. Final gross exposure	39,141	15,728
- of which: non-derecognised sold exposures		

A.1.9 Prudential consolidation - Impaired on-balance sheet credit exposures to customers: dynamics of total impairment losses

Reasons/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne performing exposures	Total	of which: forborne performing exposures	Total	of which: forborne performing exposures
A. Opening overall adjustments	25,492	15,273	3,704	3,376	23	-
- of which: non-derecognised sold exposures	-	-	-	-	-	-
B. Increases	2,680	2,408	1,456	1,358	34	5
B.1 impairment losses from acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	996	876	1,449	1,358	30	5
B.3 losses from disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	1,684	1,532	7	-	-	-
B.5 contractual modification without cancellations	-	X	-	X	-	X
B.6 other increases	-	-	-	-	4	-
C. Decreases	1,285	274	2,189	1,932	24	-
C.1 write-backs from valuation	268	123	415	390	1	-
C.2 write-backs from collection	222	18	31	9	21	-
C.3 gains from disposals	-	-	-	-	-	-
C.4 write-offs	791	133	58	-	-	-
C.5 transfers to other categories of non-performing exposures	4	-	1,685	1,533	2	-
C.6 contractual modification without cancellations	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Closing overall adjustments	26,887	17,407	2,971	2,802	33	5
- of which: non-derecognised sold exposures	-	-	-	-	-	-

E-MARKET SDIR CERTIFIED

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

A.2.1 Prudential consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees issued: by external rating classes (gross values)

Exposures	External rating classes						Without rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets at amortised cost	-	-	751,757	-	-	-	620,050	1,371,807
- Stage 1	-	-	751,757	-	-	-	503,035	1,254,792
- Stage 2	-	-	-	-	-	-	63,838	63,838
- Stage 3	-	-	-	-	-	-	53,177	53,177
- Acquired or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets at fair value through other comprehensive income	-	3,525	318,021	8,324	-	-	505	330,375
- Stage 1	-	3,525	318,021	8,324	-	-	505	330,375
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets under disposal	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	-	3,525	1,069,778	8,324	-	-	620,555	1,702,182
D. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-	34,664	34,664
- Stage 1	-	-	-	-	-	-	30,068	30,068
- Stage 2	-	-	-	-	-	-	4,297	4,297
- Stage 3	-	-	-	-	-	-	299	299
- Acquired or originated impaired	-	-	-	-	-	-	-	-
Total D	-	-	-	-	-	-	34,664	34,664
Total (A+B+C+D)	-	3,525	1,069,778	8,324	-	-	655,219	1,736,846

A.2.2 Distribution of financial assets, commitments to disburse funds and financial guarantees issued: by external rating classes (gross values)

The table in question is not filled in as the Bank does not make use of internal ratings.

A.3. Breakdown of guaranteed credit exposures by type of guarantee

A.3.2 Prudential consolidation - Guaranteed on- and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
			Property - mortgages	Property - financial leases	Securities	Other collateral	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other subjects	
								Central counterparties	Banks	Other financial companies	Other subjects					
1. Secured on-balance sheet credit exposures	396,179	369,680	144,735	-	122,058	76,787	-	-	-	-	-	10,772	1,687	518	4,418	360,975
1.1 fully guaranteed	346,659	337,695	137,914	-	120,167	69,056	-	-	-	-	-	5,584	-	518	4,384	337,623
- of which non-performing	20,131	12,293	12,233	-	-	-	-	-	-	-	-	-	-	-	60	12,293
1.2 partially guaranteed	49,520	31,985	6,821	-	1,891	7,731	-	-	-	-	-	5,188	1,687	-	34	23,352
- of which non-performing	27,514	10,107	5,407	-	74	1,000	-	-	-	-	-	-	-	-	-	6,481
2. Guaranteed off-balance-sheet credit exposures	99,877	99,829	11,781	-	37,563	40,834	-	-	-	-	-	-	-	-	1,019	91,197
2.1 fully guaranteed	80,623	80,579	11,781	-	31,106	36,674	-	-	-	-	-	-	-	-	1,019	80,580
- of which non-performing	442	430	143	-	-	286	-	-	-	-	-	-	-	-	-	429
2.2 partially guaranteed	19,254	19,250	-	-	6,457	4,160	-	-	-	-	-	-	-	-	-	10,617
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The data shown pertains exclusively to the Bank.

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - Sectoral distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	124	2,124	-	-	10,463	23,034	1,274	1,729
- of which: forborne performing exposures	-	-	-	-	-	-	9,098	17,407	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	7,424	2,382	2,909	589
- of which: forborne performing exposures	-	-	-	-	-	-	6,898	2,279	2,662	523
A.3 Non-performing past due exposures	-	-	1	-	-	-	503	9	589	24
- of which: forborne performing exposures	-	-	-	-	-	-	-	-	270	5
A.4 Performing exposures	1,045,398	184	201,229	486	800	5	169,862	969	165,032	465
- of which: forborne performing exposures	-	-	69	1	-	-	12,657	212	2,778	11
Total (A)	1,045,398	184	201,354	2,610	800	5	188,252	26,394	169,804	2,807
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	305	13	144	-
B.2 Performing exposure	-	-	36,897	4	27	-	100,169	29	62,960	9
Total (B)	-	-	36,897	4	27	-	100,474	42	63,104	9
Total (A+B) 31.12.2021	1,045,398	184	238,251	2,614	827	5	288,726	26,436	232,908	2,816
Total (A+B) 31.12.2020	1,145,244	221	127,341	2,446	9	-	291,410	27,199	196,292	2,599

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B.2 Prudential consolidation - Territorial distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	11,793	26,760	68	127	-	-	-	-	-	-
A.2 Unlikely to pay	10,329	2,970	3	1	1	-	-	-	-	-
A.3 Non-performing past due exposures	1,093	33	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,560,875	2,046	20,586	57	60	1	-	-	-	-
Total (A)	1,584,090	31,809	20,657	185	61	1	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	449	13	-	-	-	-	-	-	-	-
B.2 Performing exposure	252,617	42	1,097	-	290	-	-	-	-	-
Total (B)	253,066	55	1,097	-	290	-	-	-	-	-
Total (A+B) 31.12.2021	1,837,156	31,864	21,754	185	351	1	-	-	-	-
Total (A+B) 31.12.2020	1,743,355	32,409	16,676	45	253	-	-	-	3	11

B.3 Prudential consolidation - Territorial distribution of on-balance sheet and off-balance sheet credit exposures to banks

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	173,705	118	8,974	7	131	-	-	-	-	-
Total (A)	173,705	118	8,974	7	131	-	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposure	699	1	-	-	-	-	-	-	-	-
Total (B)	699	1	-	-	-	-	-	-	-	-
Total (A+B) 31.12.2021	174,404	119	8,974	7	131	-	-	-	-	-
Total (A+B) 31.12.2020	147,880	101	13,737	33	121	-	-	-	-	-

B.4 Large exposures

a) Amount (book value) 2,165,374 thousand euros
b) Amount (weighted value) 169,189 thousand euros
c) Number 9

The provisions contained in EC Regulation no. 575/2013 establish that large exposure means the exposure of an institution to a customer or a group of connected customers with a value equal to or greater than 10% of the eligible capital of the institution.

The same provisions state that the amount of an institution's exposure to a single client or group of connected clients may not exceed 25% of the institution's eligible capital. The amount of 25% obviously takes into account the credit risk mitigation techniques, the type of guarantee acquired and the debtor counterparty.

With the aim of containing Large Exposures within the limits set by the regulatory provisions, the corporate control functions carry out ex ante controls on new loans and periodically verify the Bank's overall exposure to customers or groups of connected customers which fall into the category of large exposures. The internal policies also provide for the preparation of adequate reporting to the corporate bodies.

C. Securitisation transaction

Qualitative information

The Group did not carry out any securitisation transactions. At the financial statements date, there are no transactions of this nature issued by the Bank.

In the year 2021, the Bank subscribed a subordinated debt instrument issued pursuant to the Securitisation Law for a nominal amount of 2,600 thousand euros. This security was included among Financial assets valued at amortised cost for an equivalent value of 2,612 thousand euros.

D. Sale transactions

A. Financial assets sold and not fully cancelled

Qualitative information

Financial assets sold and not fully cancelled refer to Government Bonds used in repurchase agreements for collection carried out exclusively with the Compensation and Guarantee Fund.

Quantitative information

D.1 Prudential consolidation - Financial assets sold recognised in full and associated financial liabilities: book values

	Fully recognised sold financial assets				Associated financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject to sales contracts with repurchase agreement	of which non-performing	Book value	of which: subject of securitisation transactions	of which: subject to sales contracts with repurchase agreement
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	751,627	-	751,627	-	750,671	-	750,671
1. Debt securities	751,627	-	751,627	-	750,671	-	750,671
2. Loans	-	-	-	-	-	-	-
Total 31.12.2021	751,627	-	751,627	-	750,671	-	750,671
Total 31.12.2020	858,807	-	858,807	-	853,159	-	853,159

E. Prudential consolidation - Models for measuring credit risk

Starting from the financial year ended 31 December 2021, the Bank uses a standardised methodology adopting the integral method for the treatment of financial collateral for the purpose of quantifying internal capital (current and prospective) in line with the guidelines defined in the budgeting process and multi-year planning.

In compliance with supervisory provisions, the method adopted by the Bank for quantifying internal capital allows the use of collaterals (pledges and mortgages) and personal guarantees as a form of credit risk mitigation. The bank favours the acquisition of collateral characterised by high liquidity (listed financial instruments) and low price volatility (sovereign government debt securities).

With the aim of verifying the adequacy of internal capital even in the event of adverse circumstances related to the negative trend in loans, the Bank conducts stress tests on credit risk in the context of ICAAP/ILAAP reporting. To carry out these tests, reference is made to macroeconomic and idiosyncratic events which include the increase in default positions, reduction in value of guarantees and the increase in Probability of Default.

1.2 - Market risk

1.2.1 Interest rate risk and price risk - Regulatory trading book

Qualitative information

A. *General aspects*

Market risk was is defined by the Bank as the risk of an unfavourable change in the value of a position in financial instruments, included in the trading book for supervisory purposes, due to adverse trends in interest rates, exchange rates, interest rates inflation, volatility, share prices, credit spreads, commodity prices (generic risk) and issuer creditworthiness (specific risk).

Impacts deriving from the Covid-19 pandemic

With reference to market risk, the Bank did not detect significant impacts on the valuation of financial assets in the trading book as a result of the Covid-19 pandemic. The trading book is in fact of a residual amount and consists almost exclusively of financial instruments characterised by high liquidity.

B. *Management processes and methods of measuring interest rate risk and price risk*

Interest rate risk

All financial instruments subject to the capital requirements for market risks fall within the "trading book", as defined by the supervisory regulations.

The trading book consists of:

- debt securities;
- equity securities;
- UCI units;
- trading derivatives.

The debt securities present in the portfolio at 31 December 2021 are largely made up of government securities with a limited overall duration. Equity investments mainly concern securities listed on the Italian Stock Exchange and with a high degree of liquidity. The instruments in the portfolio are denominated in Euro.

The Managing Director and the General Management of the Bank provide strategic guidelines regarding the assumption of market risks relating to the acquisition and negotiation of trading securities.

With regard to interest rate risk, the Bank monitors changes in market rates, with the production of specific reports which are provided to the Management.

Price risk

Price risk represents the risk of capital losses on listed financial assets or in any case similar to listed instruments following fluctuations in the price of securities or for factors attributable to the specific situation of the issuer.

The Bank has adopted specific internal regulations that govern and limit the assumption of risk towards certain types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility, etc.)

Stress limits have also been identified and envisaged which consider simultaneous shocks on credit risk - increases in spreads and decreases in share prices.

The methodology adopted for calculating the VAR is historical, the bank uses a 2-year holding period, a confidence interval of 99% and a daily time horizon to quantify the expected risk.

The trading book is mainly represented by government debt securities. The price risk is consequently linked to the specific situation of the issuer.

As regards the portfolio relating to equity instruments, it should be noted that it includes, almost exclusively, listed shares with a high degree of liquidity.

Finally, with reference to the management of market risks, it should be noted that transactions with particular characteristics in terms of structure, type of issuer or risk are subject to scrutiny by the Managing Director and by the General Management, which carries out a specific assessment of the risk profiles associated with them.

Quantitative information

1. Regulatory trading book: breakdown by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives (currency of denomination: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	6	3	-	479	18	296	-	-
1.1. Debt securities	6	3	-	479	18	296	-	-
- with early repayment option	6	2	-	5	15	296	-	-
- other	-	1	-	474	3	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,721	-	-	-	-	-	-
3.1 With underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	4,721	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	4,721	-	-	-	-	-	-
+ Long positions	-	2,405	-	-	-	-	-	-
+ Short positions	-	2,316	-	-	-	-	-	-

1. Regulatory trading book: breakdown by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives
(currency of denomination: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,972	-	-	-	-	-	-
3.1 With underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	4,972	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	4,972	-	-	-	-	-	-
+ Long positions	-	2,441	-	-	-	-	-	-
+ Short positions	-	2,531	-	-	-	-	-	-

2. Regulatory trading book: breakdown of exposures in equity instruments and equity indices for the main listing market countries

Type of transactions/Quotation index	Listed	Unlisted
	Italy	
A. Equity instruments		
- long positions	1,055	-
- short positions	-	-
B. Transactions not yet settled on equity instruments		
- long positions	36	-
- short positions	111	-
C. Other equity derivatives		
- long positions	9,768	-
- short positions	9,606	-
D. Derivatives on equity indices		
- long positions	-	4,194
- short positions	4,212	-

1.2.2 Interest rate risk and price risk - Banking book

Qualitative information

A. *General aspects, management processes and methods of measuring interest rate risk and price risk*

Interest rate risk

The interest rate risk relating to the banking book is defined as the current and future risk of volatility of profits or capital deriving from adverse movements in interest rates. From the definition of the interest rate risk it is clear that this risk is generated by imbalances arising from the core business as a consequence of the difference in the maturities and in the redefinition periods of the interest rate conditions of assets and liabilities. The Bank's interest rate risk management policy on the banking book is aimed at stabilising the interest margin on the banking book.

The Bank's internal structures periodically monitor and provide the Bank's Top Management and Board of Directors with adequate reporting on the interest rate risk of the banking book. In addition, stress tests on the interest rate risk of the Repricing Gap and Duration Gap type banking book are carried out at pre-established intervals. The operational limits to the assumption of risk have been defined by the Bank's Board of Directors and are periodically reviewed by the same.

The banking book consists of assets and liabilities financial instruments not included in the portfolio consisting of trading securities. It is mainly composed of receivables and payables from banks and customers as well as from management hedging derivatives.

With regard to the banking book, in relation to interest rate risk, please note the following:

Cash assets

- debt securities all in Euro amount to a total of 1,084 million euros and are represented by securities present in the Financial Assets portfolio valued at amortised cost for 754 million euros and those present in the Financial Assets portfolio measured at fair value with impact on overall profitability 330 million euros. Debt securities are mainly represented by Government Bonds maturing in 2022 for 541 million euros, maturing in 2023 for 10 million euros, maturing in 2024 for 300 million euros, maturing in 2025 for 41 million euros, maturing in 2026 for 131 million euros and maturing in 2029 for 5 million euros;
- loans to banks (Euro and currencies), are represented for 114 million euros by deposits and current accounts on demand mainly at variable rate, for 54 million euros by other loans at variable rate (of which 6 million euros for compulsory reserve);
- loans to customers (Euros and currencies), for a total of 531 million euros, are represented by current account credit lines for 203 million euros, loans granted to customers for 169 million euros, mostly at variable rates, and repurchase agreements for 26 million euros and from other loans for 133 million euros.

Cash liabilities

- amounts due to customers (Euros and currencies) amount to a total of 1,650 million euros and are mainly represented by fixed-rate time deposits for 179 million euros (maturing in 2022 for a nominal amount of 46 million euros, in 2023 for a nominal value of 28 million euros, in 2024 for a nominal amount of 39 million euros, in 2025 for a nominal amount of 31 million euros and by 2030 for a nominal value of 23 million euros), from current accounts that are variable or reviewable fixed rate for 679 million euros, from repurchase agreements on securities listed on regulated markets for 751 million euros;

- payables to banks (Euro and currencies) refer to loans and deposits for a total of 0.4 million euros;

From the above, it can be concluded that the interest rate risk is limited.

Price risk

Price risk represents the risk of capital losses on listed financial assets or in any case similar to listed instruments following fluctuations in the price of securities or for factors attributable to the specific situation of the issuer.

The Bank has adopted specific internal regulations that govern and limit the assumption of risk towards certain types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility, etc.)

Quantitative information

1. Trading book: breakdown by residual duration (repricing date) of financial assets and liabilities (currency of denomination: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	482,735	165,757	274,708	461,187	341,520	6,787	-	-
1.1. Debt securities	-	36,468	255,543	452,132	335,136	6,240	-	-
- with early repayment option	-	-	-	-	11,439	500	-	-
- other	-	36,468	255,543	452,132	323,697	5,740	-	-
1.2 Loans to banks	79,506	40,306	-	-	-	-	-	-
1.3 Loans to customers	403,229	88,983	19,165	9,055	6,384	547	-	-
- c/a	199,968	-	-	-	-	-	-	-
- other loans	203,261	88,983	19,165	9,055	6,384	547	-	-
- with early repayment option	108,435	59,492	18,626	594	1,237	331	-	-
- other	94,826	29,491	539	8,461	5,147	216	-	-
2. Cash liabilities	669,529	378,169	71,172	353,508	128,143	13,048	-	-
2.1 Due to customers	669,148	378,169	71,172	353,508	128,143	13,048	-	-
- c/a	651,999	26,000	11,476	11,630	120,333	7,713	-	-
- other payables	17,149	352,169	59,696	341,878	7,810	5,335	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	17,149	352,169	59,696	341,878	7,810	5,335	-	-
2.2 Due to banks	381	-	-	-	-	-	-	-
- c/a	381	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4	12,202	-	4	-	-	-
3.1 with underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	4	12,202	-	4	-	-	-
- Options	-	4	-	-	4	-	-	-
+ Long positions	-	-	-	-	4	-	-	-
+ Short positions	-	4	-	-	-	-	-	-
- other derivatives	-	-	12,202	-	-	-	-	-
+ Long positions	-	-	12,202	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	727,982	4,218	334	200,710	500,656	139	-	-
+ Long positions	712,057	4,218	334	-	271	139	-	-
+ Short positions	15,925	-	-	200,710	500,385	-	-	-

1. Trading book: breakdown by residual duration (repricing date) of financial assets and liabilities (currency of denomination: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	More than 10 years	Indefinite duration
1. Cash assets	52,964	-	-	-	-	-	-	-
1.1. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	49,054	-	-	-	-	-	-	-
1.3 Loans to customers	3,910	-	-	-	-	-	-	-
- c/a	2,871	-	-	-	-	-	-	-
- other loans	1,039	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,039	-	-	-	-	-	-	-
2. Cash liabilities	37,729	3	-	9	-	-	-	-
2.1 Due to customers	37,728	-	-	-	-	-	-	-
- c/a	28,099	-	-	-	-	-	-	-
- other payables	9,629	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	9,629	-	-	-	-	-	-	-
2.2 Due to banks	1	3	-	9	-	-	-	-
- c/a	-	-	-	-	-	-	-	-
- other payables	1	3	-	9	-	-	-	-
2.3. Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	12,202	-	-	-	-	-
3.1 with underlying title	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying title	-	-	12,202	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	12,202	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	12,202	-	-	-	-	-
4. Other off-balance-sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

E-MARKET SDIR CERTIFIED

1.2.3 Currency risk

Qualitative information

A. General aspects, management processes and methods of measuring the exchange rate risk

The management of exchange rate risk is the responsibility of the General Management and the Finance Department carries out trading, hedging and brokerage activities within specific operating limits of a limited amount both for financial assets and liabilities in own currency and as counter-entries to customer transactions.
Exposure to exchange rate risk is normally very low and limited to temporary misalignments in opposite positions. The Bank keeps the risk to a minimum by always monitoring the treasury exposure deriving from temporal mismatching between assets and liabilities.

B. Exchange risk hedging activities

At 31 December 2021, two management hedges owned by the Bank were open for GBP 7,000 thousand and CHF 4,000 thousand.

Quantitative information

1. Breakdown by currency of denomination of assets, liabilities and derivatives

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss Franc	Other currencies
A. Financial assets	24,579	16,314	52	101	10,299	1,619
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans to banks	22,866	14,349	50	101	10,070	1,618
A.4 Loans to customers	1,713	1,965	2	-	229	1
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	19,280	11,228	53	102	7,726	467
C. Financial liabilities	24,933	8,045	1	-	4,438	311
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	24,933	8,045	1	-	4,438	311
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	4,972	8,331	-	-	3,872	-
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	4,972	8,331	-	-	3,872	-
+ Long positions	2,441	-	-	-	-	-
+ Short positions	2,531	8,331	-	-	3,872	-
Total assets	46,300	27,542	105	203	18,025	2,086
Total liabilities	27,464	16,376	1	-	8,310	311
Imbalance (+/-)	18,836	11,166	104	203	9,715	1,775

E-MARKET SDIR CERTIFIED

1.3 Derivative instruments and hedging policies

1.3.1 Derivative trading instruments

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

Underlying assets/Types of derivatives	Total 31.12.2021				Total 31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	-	-	4,339	40,722	-	-	3,580	2,660
a) Options	-	-	145	36,510	-	-	900	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	4,194	4,212	-	-	2,680	2,660
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	14,145	-	-	-	11,268	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	14,145	-	-	-	11,268	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-
Total	-	-	18,484	40,722	-	-	14,848	2,660

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/Types of derivatives	Total 31.12.2021				Total 31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Positive fair value								
a) Options	-	-	74	1,244	-	-	76	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	2	-	-	-	2	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	448	-	-	-	-	-
Total	-	-	524	1,244	-	-	78	-
1. Negative fair value								
a) Options	-	-	-	989	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	176	-	-	-	40	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	900	-	-	-	-	-
Total	-	-	1,076	989	-	-	40	-

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not falling under compensation agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional value	X	-	66	4,273
- positive fair value	X	-	34	488
- negative fair value	X	-	-	900
3) Currencies and gold				
- notional value	X	13,174	971	-
- positive fair value	X	2	-	-
- negative fair value	X	174	2	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts falling under compensation agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional values

Underlyings/Residual life	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indices	4,262	74	3	4,339
A.3 Financial derivatives on currencies and gold	14,145	-	-	14,145
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 2021	18,407	74	3	18,484
Total 2020	14,306	516	26	14,848

1.4 Liquidity risk

Qualitative information

A. General aspects, management processes and methods of measuring liquidity risk

Liquidity risk was defined by the Bank as the possibility of not meeting its payment commitments. The risk under analysis is linked to the inability to raise funds (funding liquidity risk) or to the presence of limits on the disposal of assets (market liquidity risk).
By funding liquidity risk we mean the risk that the Bank and the Group companies are unable to meet their payment commitments and obligations efficiently (with respect to the "desired" risk profile and/or to economic conditions "fair") due to inability to raise funds without compromising their core business and/or financial situation.
Market liquidity risk is the risk that the Bank is unable to liquidate an asset without incurring capital losses due to the limited liquidity of the reference market and/or as a consequence of the timing necessary to carry out the operation.

The analysis of the composition of the financial instruments (assets and liabilities) of the Group shows, overall, a limited liquidity risk. In fact, the loan portfolio features a prevalence of on demand and short-term loans both on the interbank market and to customers (as it is largely made up of on demand loans directly linked to private banking). The securities portfolio mainly consists of highly liquid debt securities issued by countries in the Euro area.
As far as sources of funding are concerned, funding consists of current accounts, term deposits, repurchase agreements and the issue of floating rate bonds. The concentration of funding sources, present on leading and consolidated customers, is a consequence of the business model adopted by the Bank which provides for the disbursement of loans and the provision of services to highly selected customers.

The Group's overall exposure to liquidity risk is therefore kept at modest levels thanks to the structure of the financial portfolio described above.

The ability to promptly and economically meet commitments is implemented through a careful control of the position through the use of IT systems that guarantee continuous monitoring of liquidity requirements which are possibly managed through the use of the interbank deposit market and as an alternative to the Repo market.

On the basis of the supervisory provisions, the Bank has defined guidelines on the governance and management of liquidity risk and the related stress test methods to be carried out. In particular, the roles and responsibilities of the corporate bodies involved, the methodologies for calculating the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) indicators were identified as well as the criteria to be followed for conducting stress tests.
The short-term liquidity management policy, monitored with the LCR indicator, includes the set of limits and alert thresholds that allow, both in normal market conditions and under stress conditions, to measure the exposure to the liquidity risk. The liquidity necessary to cope with any structural imbalances in the composition of assets and liabilities over a time horizon of one year is, however, monitored through the NSFR indicator.
As part of the liquidity risk management process, the Bank's Risk Control Organisational Unit provides to:

- periodically carry out the stress tests for risk measurement identified by the Bank by implementing the necessary measurements to determine the value of the LCR indicator: Liquidity Coverage Ratio (aimed at ensuring that the Bank holds an amount of high quality liquid assets which allow to withstand stressful situations on the funding market over a time span of 30 days) and the NSFR indicator: Net Stable Funding Ratio (aimed at guaranteeing a structural balance of the bank financial statements);
- prepare the reports to be sent to Top Management illustrating the exposure to liquidity risk, also determined on the basis of the stress tests.

From the analyses carried out at 31 December 2021, it is noted that potential cash outflows are fully covered by inflows and the liquidity buffer held by the Bank and therefore no risk situations are identified.

Impacts deriving from the Covid-19 pandemic

With reference to liquidity risk, the Bank did not detect significant impacts as a result of the Covid-19 pandemic. The liquidity buffer and the eligible assets are constantly monitored and are adequate to manage outflows even under stress conditions.

Quantitative information

1. Time distribution by residual contractual duration of financial assets and liabilities (currency of denomination: Euro)

Items/Time bands	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	409,661	61,422	30,073	1,024	31,295	79,082	477,304	583,903	85,147	6,412
A.1 Government bonds	-	-	30,011	-	126	70,340	441,145	478,005	5,000	-
A.2 Other debt securities	6	-	-	120	5	2,695	12,593	36,449	6,407	-
A.3 UCIs units	30,823	-	-	-	-	-	-	-	-	-
A.4 Loans	378,832	61,422	62	904	31,164	6,047	23,566	69,449	73,740	6,412
- Banks	79,546	33,899	-	-	-	-	-	-	-	6,412
- Customers	299,286	27,523	62	904	31,164	6,047	23,566	69,449	73,740	-
Cash liabilities	668,817	770	6,347	164,122	206,950	72,691	352,092	128,142	13,048	-
B.1 Deposits and current accounts	651,671	770	6,347	12,698	6,202	11,517	11,692	120,333	7,713	-
- Banks	381	-	-	-	-	-	-	-	-	-
- Customers	651,290	770	6,347	12,698	6,202	11,517	11,692	120,333	7,713	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	17,146	-	-	151,424	200,748	61,174	340,400	7,809	5,335	-
"Off balance sheet" transactions	881,860	2,829	-	-	3,609	14,564	207,954	514,962	10,249	-
C.1 Financial derivatives with exchange of capital	-	2,779	-	-	1,942	12,202	-	-	-	-
- Long positions	-	1,434	-	-	971	12,202	-	-	-	-
- Short positions	-	1,345	-	-	971	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	3,654	-	-	-	-	-	-	-	-	-
- Long positions	1,766	-	-	-	-	-	-	-	-	-
- Short positions	1,888	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	701,095	-	-	-	-	-	200,710	500,385	-	-
- Long positions	701,095	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	200,710	500,385	-	-
C.4 Commitments to disburse funds	175,260	50	-	-	624	573	5,940	5,061	3,684	-
- Long positions	79,664	50	-	-	624	573	5,940	5,061	3,684	-
- Short positions	95,596	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1,851	-	-	-	1,043	1,789	1,304	9,516	6,565	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

The "Indefinite duration" bank loans refer to the deposit for the Compulsory Reserve.
Item C.1 includes the value of purchases and sales of securities not yet settled.

1. Time distribution by residual contractual duration of financial assets and liabilities (currency of denomination: Other currencies)

Items/Time bands	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	53,040	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	53,040	-	-	-	-	-	-	-	-	-
- Banks	49,094	-	-	-	-	-	-	-	-	-
- Customers	3,946	-	-	-	-	-	-	-	-	-
Cash liabilities	37,730	-	-	-	3	-	9	-	-	-
B.1 Deposits and current accounts	28,099	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	28,099	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	9,631	-	-	-	3	-	9	-	-	-
"Off balance sheet" transactions	492	3,029	-	-	1,942	12,202	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	3,029	-	-	1,942	12,202	-	-	-	-
- Long positions	-	1,470	-	-	971	-	-	-	-	-
- Short positions	-	1,559	-	-	971	12,202	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	492	-	-	-	-	-	-	-	-	-
- Long positions	246	-	-	-	-	-	-	-	-	-
- Short positions	246	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

1.5 Operational risk

Qualitative and quantitative information

A. General aspects, management processes and methods of measuring operational risk

Operational risk means the risk of suffering losses deriving from the inadequacy or malfunction of procedures, human resources and internal systems, or from external events. This type includes, among other things, losses deriving from fraud, human errors, interruptions to operations, unavailability of systems, contractual breaches, natural and/or geopolitical disasters. Operational risk includes legal risk but not strategic and reputational risks.

While adopting a standardised method of calculating operational risks, the Banks carries out an analysis/self-assessment of the same. In order to standardise the operational risk quantification process, the Bank has also formalised the methodology adopted in the document "Operational risk management in Banca Finnat".
The analysis of operational risks and the identification of the processes with the greatest impact are periodically carried out by the Risk Control O.U. in order to promptly identify the business areas and processes presenting the greater operational risk in order to make the necessary corrective actions.
In particular, the analysis focuses on identifying, within the aforementioned operating procedures, the activities that may generate operational risks for the Bank and the related controls to mitigate the same risks.

During the financial year ended 31 December 2021, periodic meetings continued between the Parent Company and the subsidiaries InvestiRE SGR S.p.A. and Finnat Fiduciaria S.p.A. where the controls implemented by the subsidiaries were analysed without detecting anomalies.

As regards the quantification of the internal capital placed to support operational risk, as previously mentioned, the Bank uses a basic approach to determine the prudential capital requirements as indicated by the provisions of EC Regulation 575/2013.

In this context, the internal control function verifies the functioning and compliance of the same procedures, their adequacy with respect to the regulations in force as well as the proposed revisions.

Section 4 - Risks of other companies

At 31 December 2021 all the subsidiaries of the Parent Company are part of the Group therefore there are no risks pertaining to other companies.

E-MARKET SDIR CERTIFIED

Part F – Information on the consolidated equity

Section 1 – Consolidated equity

Qualitative and quantitative information

The Group's equity comprises the Share Capital, Reserves, Treasury Shares, Valuation Reserves and Profit for the year. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

The consolidated equity of the Group and of non-controlling interests amounts to 260,772 thousand euros (262,702 thousand euros pertaining to the Group) and is detailed in the following table.

B.1 Consolidated equity: breakdown by type of company

Equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation eliminations and adjustments	Total
1. Share capital	72,576	-	-	-	72,576
2. Share premium	-	-	-	-	-
3. Reserves	183,485	-	-	-	183,485
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	(14,059)	-	-	-	(14,059)
6. Valuation reserves:	10,138	-	-	-	10,138
- Equity instruments at fair value through other comprehensive income	8,716	-	-	-	8,716
- Hedging of equity instruments at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	777	-	-	-	777
- Property, equipment and investment property	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investment hedging	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Hedging instruments (non-designated elements)	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets held for sale and disposal groups	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)	-	-	-	-	-
- Actuarial gains (losses) relating to defined benefit pension plans	(719)	-	-	-	(719)
- Portion of valuation reserves relative to equity-accounted investments	-	-	-	-	-
- Special revaluation laws	1,364	-	-	-	1,364
7. Profit (loss) for the year (+/-) of the group and of non-controlling interests	8,632	-	-	-	8,632
Equity	260,772	-	-	-	260,772

B.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown

Assets/Amounts	Prudential consolidation		Insurance companies		Other companies		Consolidation eliminations and adjustments		Total 31.12.2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,245	468	-	-	-	-	-	-	1,245	468
2. Equity instruments	9,239	523	-	-	-	-	-	-	9,239	523
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	10,484	991	-	-	-	-	-	-	10,484	991
Total 31.12.2020	7,269	521	-	-	-	-	-	-	7,269	521

The breakdown of the valuation reserves refers to the Group and almost exclusively concerns the adjustment to fair value, net of taxes, of the securities held by the Bank.

B.3 Valuation reserves of financial assets at fair value through other comprehensive income: annual changes

	Debt securities	Equity instruments	Loans
1. Opening balances	1,422	5,326	-
2. Positive changes	261	3,426	-
2.1 Fair value increases	195	3,426	-
2.2 Net impairment losses for credit risk	34	X	-
2.3 Reversal to the income statement of negative reserves from realisation	32	X	-
2.4 Transfers to other components of equity (equity instruments)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	906	36	-
3.1 Fair value reductions	684	36	-
3.2 Value recoveries for credit risk	56	-	-
3.3 Reclassification to the income statement of positive reserves: from realisation	166	X	-
3.4 Transfers to other components of equity (equity instruments)	-	-	-
3.5 Other changes	-	-	-
4. Closing balances	777	8,716	-

The comment to the changes in the valuation reserves of financial assets at fair value with an through other comprehensive income is illustrated in part D - Comprehensive income.

B.4 Valuation reserves relating to defined benefit plans: annual changes

The reserves relating to defined benefit plans are negative for 717 thousand euros (of which 565 thousand euros pertaining to the Group and 152 thousand euros to non-controlling interests). At 31 December 2020 they were negative for 734 thousand euros (of which 520 thousand euros pertaining to the Group and 214 thousand euros to non-controlling interests).

Section 2 – Own funds and capital ratios

For supervisory purposes, the capital aggregate relevant for this purpose is determined on the basis of the provisions in force laid down by the Bank of Italy and constitutes the reference system for prudential supervisory provisions.

Own funds at 31 December 2021 amounted to 189,397 thousand euros (184,465 thousand euros at 31 December 2020), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 31.1% (34.9% at 31 December 2020). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section of the Report on Operations “Market disclosure information”. Without this application, Own funds would have been equal to 188,189 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would be equal to 31.0%.

For more details, please refer to the disclosure on own funds and capital adequacy provided at consolidated level and included in the disclosure to the public ("Third Pillar"). The document is published on the Bank's website www.bancafinnat.it, in the Regulated information section.

Part H – Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013 and lastly updated on 16 December 2021.

For further information on related party transactions carried out during the year, please refer to the paragraph in the Report on Operations.

As required by IAS 24, information on related party transactions is provided below.

1. Information on remuneration of management with strategic responsibilities

As a result of the amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annex 3A of the Issuers' Regulation.

2. Information on related party transactions

The following table shows the assets, liabilities, guarantees and commitments at 31 December 2021 separately for different types of related parties under IAS 24.

STATEMENT OF FINANCIAL POSITION	**Financial receivables (payables)**	**Other receivables (payables)**	**Sureties issued**	**Available margins on sureties and irrevocable credit lines granted**
ASSOCIATED COMPANIES AND JOINT VENTURES	(1,742)	-	51	-
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(999)	-	-	-
OTHER RELATED PARTIES	(373)	448	-	350

Receivables (payables) for the national tax consolidation and Other receivables (payables) are included in the financial statement items "Other assets" and "Other liabilities".

INCOME STATEMENT	**Interest income (expense)**	**Fee and commission income (expense)**
ASSOCIATED COMPANIES AND JOINT VENTURES	18	4

Part L – Segment reporting

A – Primary reporting

For the purpose of identifying operating segments and establishing the figures to be allocated, the segment reporting of the Banca Finnat Group is based on its organisation and management structure, along with the internal reporting system used to support the management's operating decisions.

The Banca Finnat Group operates primarily in Italy.

For IAS segment reporting purposes, the Group has adopted the management approach, selecting as the primary representative base, for the breakdown of its statement of financial position and income statement figures, the main business sectors through which it carries out its consolidated activities and which constitute the internal reporting segments used by the Management for allocating resources and analysing the related performance. In addition to reflecting the operational responsibilities specified by the Group's organisational assets, the business segments consist of the aggregation of business units that have similar characteristics with reference to the type of products and services sold.

The segments identified for providing an operation-based description of the Group results are:
- Private Banking (comprises the offer of investment services and of typical banking services to the Bank's private customers).
- Investment Banking (comprises the services offered to the Bank's institutional customers and by the company of the Natam SA Group, the treasury activity and the management and development of trading activities on its own behalf and on behalf of third parties).
- Advisory and Corporate Finance (comprises the advisory services provided by the Bank in the sector of corporate finance and assistance in extraordinary finance transactions directed at corporate customers).
- Trusteeship (comprises the trusteeship services offered to customers through the companies of the Finnat Fiduciaria Group and Finnat Gestioni SA).
- Asset Management - Real Estate Fund Management (comprises the management of real estate funds carried out by the company of the InvestiRE SGR Group).
- Financial Holding and Governance Centre (comprises the strategic investments held by the Bank and the activities of supervision of the Group's direction, coordination and control functions; overhead costs and intra-group cancellations fall into this sector).

Income Statement calculation criteria by business segment

The calculation of pre-tax profit by business segment is based on the following criteria:
- Net interest income: the Bank's net interest income, allocated in the Private Banking, Investment Banking and Financial Holding sectors, is calculated by contribution on the basis of the "Internal Transfer Rates" differentiated by products and due dates; as regards the other Group entities, the various differences between interest and similar income and expense were allocated to the relevant Business Area.
- Net fee and commission income: this was identified through the direct allocation of the income components on various business segments.
- Net trading expense: this was attributed to the business segments that actually generated that profit.
- Dividends, Net gain from disposal or repurchase of financial assets at amortised cost and financial assets at fair value through other comprehensive income: these are reclassified line-by-line on the individual segments concerned.

- Net losses on other financial assets and liabilities mandatorily measured at fair value: these were attributed to the business segments that actually generated that profit.
- Operating costs: the aggregate includes personnel expenses, other administrative expenses (net of recovered costs), depreciation and net impairment losses on property, equipment and investment property and amortisation and net impairment losses on intangible assets, allocations to provisions for risks and charges and other operating income, net. The operating costs of the subsidiaries go directly into the business segment in which they are included; concerning Banca Finnat, the allocation among the different business segments takes place by the application of a "cost allocation" model (in relation to specific criteria, referred to the activity carried out) for all costs for which attribution to the business centres on the basis of the unique functional position of the resources is not possible.
- Net impairment losses for credit risk associated with financial assets at amortised cost and financial assets at fair value through other comprehensive income: these are allocated line-by-line on the individual sectors.

Criteria for calculating the statement of financial position aggregates by business segment

Statement of financial position aggregates were calculated according to the matching concept, with costs/revenue allocated to the single segments.
In particular:
- loans and receivables with customers are the assets directly employed in the operating activities of the segment and directly attributable thereto;
- due to customers and securities issued are the liabilities that result from the operating activities of each sector that are directly attributable to that segment.

Assets/liabilities that cannot be reasonably attributed were allocated to the "Financial Holding and Governance Centre" segment.

The activities carried out in the year by the individual segments are commented on in the Report Operations of the separate financial statements.

E-MARKET SDIR CERTIFIED

Consolidated aggregated income statement values for the 2021 financial year by business segment

Business segments	*Private Banking*	*Investment Banking (*)*	*Advisory & Corporate Finance*	Trusteeship	Asset Management - Real Estate Fund	Financial Holding and Governance Centre (**)	TOTAL
Net interest income	3,040	6,864	-	20	(88)	353	10,189
Net fee and commission income	18,457	5,798	2,386	2,408	26,165	(318)	54,896
Dividends	122	45	-	-	-	555	722
Net trading expense	-	1,521	-	-	-	-	1,521
Net gain from disposal or repurchase of:	-	215	-	(36)	-	-	179
a) financial assets at amortised cost	-	155	-	-	-	-	155
b) financial assets at fair value through other comprehensive income	-	60	-	(36)	-	-	24
Net losses on other financial assets and liabilities at fair value through profit or loss	-	27	-	-	169	(179)	17
b) other financial assets mandatorily measured at fair value	-	27	-	-	169	(179)	17
TOTAL INCOME	21,619	14,470	2,386	2,392	26,246	411	67,524
Operating costs	(15,550)	(4,623)	(1,589)	(851)	(17,730)	(13,585)	(53,928)
Net impairment losses for credit risk associated with:	(230)	(200)	81	29	(37)	(700)	(1,057)
a) financial assets at amortised cost	(230)	(177)	81	29	(37)	(700)	(1,034)
b) financial assets at fair value through other comprehensive income	-	(23)	-	-	-	-	(23)
Net modification gains (losses)	(157)	-	-	-	-	-	(157)
Net loss on equity investments	-	-	-	-	-	(242)	(242)
PROFIT BEFORE TAXES	5,682	9,647	878	1,570	8,479	(14,116)	12,140

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include overhead costs and intra-group eliminations.

E-MARKET SDIR CERTIFIED

Consolidated aggregated income statement values for the 2020 financial year by business segment

Business segments	Private Banking	Investment Banking (*)	Advisory & Corporate Finance	Trusteeship	Asset Management - Real Estate Fund	Financial Holding and Governance Centre (**)	TOTAL
Net interest income	2,906	12,982	-	19	(95)	346	16,158
Net fee and commission income	16,605	5,233	1,056	2,428	24,458	(336)	49,444
Dividends	154	48	-	-	-	1,590	1,792
Net trading expense	-	(253)	-	-	-	-	(253)
Net gain from disposal or repurchase of:	-	1,448	-	-	-	-	1,448
a) financial assets at amortised cost	-	278	-	-	-	-	278
b) financial assets at fair value through other comprehensive income	-	1,170	-	-	-	-	1,170
Net losses on other financial assets and liabilities at fair value through profit or loss	-	(56)	-	-	(146)	(197)	(399)
b) other financial assets mandatorily measured at fair value	-	(56)	-	-	(146)	(197)	(399)
TOTAL INCOME	19,665	19,402	1,056	2,447	24,217	1,403	68,190
Operating costs	(15,271)	(4,315)	(1,173)	(942)	(16,269)	(13,109)	(51,079)
Net impairment losses for credit risk associated with:	(2,423)	473	81	(69)	143	(3,367)	(5,162)
a) financial assets at amortised cost	(2,423)	123	81	(118)	143	(3,367)	(5,561)
b) financial assets at fair value through other comprehensive income	-	350	-	49	-	-	399
Net modification gains (losses)	(185)	-	-	-	-	-	(185)
Net loss on equity investments	-	-	-	-	-	(199)	(199)
PROFIT BEFORE TAXES	1,786	15,560	(36)	1,436	8,091	(15,272)	11,565

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include overhead costs and intra-group eliminations.

E-MARKET SDIR CERTIFIED

Consolidated aggregate Statement of Financial Position values at 31 December 2021 by business segment

Business segments	*Private Banking*	*Investment Banking (*)*	*Advisory & Corporate Finance*	Trusteeship	Asset Management - Real Estate Fund	Financial Holding and Governance Centre (**)	TOTAL
Assets							
Financial assets at fair value through profit or loss	-	9,327	-	-	4,906	21,226	35,459
a) financial assets held for trading	-	9,327	-	-	-	-	9,327
c) other financial assets mandatorily measured at fair value	-	-	-	-	4,906	21,226	26,132
Financial assets at fair value through other comprehensive income	-	330,291	-	5	1	15,572	345,869
Financial assets at amortised cost	388,133	892,062	1,287	3,746	11,636	42,558	1,339,422
a) loans and receivables with banks	-	54,372	-	2,318	6,012	(8,330)	54,372
b) loans and receivables with customers	388,133	837,690	1,287	1,428	5,624	50,888	1,285,050
Equity investments	-	-	-	-	3,742	6,643	10,385
Liabilities	-	-	-	-	-	-	
Financial liabilities at amortised cost	754,749	889,149	-	185	6,683	544	1,651,310
a) due to banks	-	392	-	13	-	(11)	394
b) due to customers	754,749	888,757	-	172	6,683	555	1,650,916
Financial liabilities held for trading	-	-	-	-	-	2,065	2,065

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include intra-group eliminations.

Consolidated aggregate Statement of Financial Position values at 31 December 2020 by business segment

Business segments	Private Banking	Investment Banking (*)	Advisory & Corporate Finance	Trusteeship	Asset Management - Real Estate Fund	Financial Holding and Governance Centre (**)	TOTAL
Assets							
Financial assets at fair value through profit or loss	-	6,847	-	-	640	20,380	27,867
a) financial assets held for trading	-	6,847	-	-	-	-	6,847
c) other financial assets mandatorily measured at fair value	-	-	-	-	640	20,380	21,020
Financial assets at fair value through other comprehensive income	-	328,193	-	1,523	1	12,108	341,825
Financial assets at amortised cost	329,900	988,877	866	4,330	44,292	10,073	1,378,338
a) loans and receivables with banks	-	93,644	-	3,406	38,877	(11,364)	124,563
b) loans and receivables with customers	329,900	895,233	866	924	5,415	21,437	1,253,775
Equity investments	-	-	-	-	4,042	6,652	10,694
Liabilities							
Financial liabilities at amortised cost	597,033	953,028	-	268	6,028	(3,394)	1,552,963
a) due to banks	-	145	-	12	-	-	157
b) due to customers	597,033	952,883	-	256	6,028	(3,394)	1,552,806
Financial liabilities held for trading	-	-	-	-	-	40	40

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam
(**) The data relating to "Financial Holding and Government Centre" include intra-group eliminations.

B – Secondary reporting

The distribution of statement of financial position and income statement figures by geographical area is not shown due to the fact that the Group operates almost exclusively in Italy.

The information relating to contracts with customers required by IFRS 15 is provided below.

IFRS 15 PROSPECTUS - FEE AND COMMISSIONS INCOME BY BUSINESS UNIT

Business segments	***Private Banking***	***Investment Banking (*)***	***Advisory & Corporate Finance***	**Trusteeship**	**Asset Management - Real Estate Fund**	**Financial Holding and Governance Centre (**)**	**TOTAL**
Subdivision by type of service							
- advisory	1,466	28	2,082	-	-	-	3,576
- specialist	-	1,012	-	-	-	-	1,012
- trading	4,664	1,069	-	-	-	1	5,734
- placement	4,319	682	330	-	-	-	5,331
- management	3,360	2,817	-	835	26,329	-	33,341
- delegated management	885	357	-	-	-	-	1,242
- listed issuers services	-	462	-	-	-	-	462
- distribution of insurance products	2,001	4	-	-	-	4	2,009
- distribution of third-party services	99	475	-	-	-	-	574
- other services	2,105	355	-	1,576	-	102	4,138
Total	18,899	7,261	2,412	2,411	26,329	107	57,419
Business segments	***Private Banking***	***Investment Banking (*)***	***Advisory & Corporate Finance***	**Trusteeship**	**Asset Management - Real Estate Fund**	**Financial Holding and Governance Centre (**)**	**TOTAL**
Breakdown by assessment method							
Over time	12,932	5,210	1,264	2,411	26,134	9	47,960
At a given time	5,967	2,051	1,148	-	195	98	9,459
Total	18,899	7,261	2,412	2,411	26,329	107	57,419

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.

(**) The data relating to "Financial Holding and Government Centre" include overhead costs.

PART M - Information on the Group's leases

This part provides the information required by IFRS 16 that is not included in the other parts of the financial statements. In particular, rights of use acquired through leases at 31 December 2021 amount to 15,760 thousand euros, of which 15,205 thousand euros relating to property leases. Leasing payables amount to 16,147 thousand euros.

Section 1 - Lessee

QUALITATIVE INFORMATION

At 31 December 2021, there were 69 lease contracts, of which: i) 23 relating to buildings; ii) 2 relating to electronic systems; iii) 44 related to other types (of which 40 cars).

96.5% of the value of the rights of use recorded in the assets of the Statement of financial position refers to real estate lease contracts which mainly include properties intended for use as offices and bank branches and, to a lesser extent, intended for employee accommodation. Real estate leases contracts recognised under rights of use, almost all relating to assets located in Italy, have a duration of more than 12 months and typically have renewal or termination options that can be exercised by the lessor and the lessee in accordance with the provisions of law or contractual provisions. The contracts do not provide for purchase options of properties on their expiry; furthermore, no significant reinstatement costs are envisaged in the lease contracts.
As required by the Banca Finnat Group Policy, adopted by the companies of the Group to regulate the methods of identification, evaluation and accounting of leases, in the event of signing of new rental contracts, the determination of the duration of the lease is carried out taking into account the expiry of the contracts and any options envisaged by the lease such as, for example, lease extension options or contract termination options. In particular, in the largely prevalent cases of lease contracts drawn up in accordance with the provisions of Italian Law no. 392/1978, with a contractual duration of six years and the option of tacitly renewing the six-year contract in six years, the overall duration of the lease is assumed to be equal to 12 years. In cases in which new elements or specific situations emerge from the analysis of the individual lease contracts, this general indication is superseded.

Leases relating to electronic systems pertain exclusively to the Bank and concern 0.2% of the value of the rights of use recognised in the assets of the Statement of financial position.

Leases relating to other types concern 3.3% of the value of the rights of use recognised in the Statement of financial position and refer for 3.1% to long-term rental contracts for cars made available to employees, directors (mixed use) or at the disposal of the Bank's branches and other offices of the Group and for the remainder to ATMs and TCRs. Almost all car contracts have a four-year or five-year term and do not include the option to purchase the asset. No renewal options are envisaged but the contracts can be extended according to the car fleet management; in the event of early repayment, a penalty is generally included. The payment of the lease instalments is made monthly in advance.

The Group did not carry out any sale and leaseback transactions in 2021.

As regards sub-lease transactions, it should be noted that the Bank has a single sub-lease transaction in place for a portion of a property of an insignificant amount.

Based on the provisions of the aforementioned Policy, the Banca Finnat Group avails itself of the exemptions provided for by IFRS 16 and, consequently: i) provisions relating to the recognition, initial valuation, subsequent valuation and off-balance sheet exposure of short-term lease contracts with a duration equal to or less than 12 months and lease contracts in which each underlying asset is of modest value, meaning with a value of 5 thousand euros, are not applied; ii) In consideration of the option envisaged by IFRS 16.4, the Group has not deemed it necessary to apply the standard to any operating leases on intangible assets.

QUANTITATIVE INFORMATION

In Part B - Assets of the Notes to the Financial Statements, the information on the rights of use acquired with the lease are respectively reported:

- Table 9.1 - Property, equipment and investment property used in operations: breakdown of assets at cost.
- Table 9.6 - Property, equipment and investment property used in operation: annual changes and Table IFRS 16 - Property, equipment and investment property used in operation: annual changes.

Part B - Liabilities show: lease payables:

- Table 1.2 - Financial liabilities at amortised cost: breakdown by product of due to customers.
- Table 1.6 Lease payables

Finally, please refer to the specific sections contained in Part C of the Notes to the Financial Statements for the relevant information:

- on interest income and expense relating to leasing payables (Section 1 Interest - Tables 1.1 and 1.3);
- on amortisation of assets consisting of rights of use (Section 14 - Net value adjustments/recoveries on property, equipment and investment property).

Section 2 - Lessor

To date, the Group has no transactions in place for the sale of leased assets, neither for operational nor financial leases.

Significant non-recurring operations and positions or transactions deriving from atypical and/or unusual operations

Pursuant to the Consob Communication no. DEM/6064293 of 28 July 2006, it should be noted that:

- during 2021, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during 2021, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the year-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of non-controlling interests.

The most significant Group transactions in 2021 are commented on in a special section of the Report on Operations of the separate Financial Statements in the dedicated section.

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

To the shareholders of
Banca Finnat Euramerica S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Banca Finnat Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Measurement of goodwill

Notes to the consolidated financial statements "Part A - Accounting policies": section 5 - Other matters "Risks and uncertainties and impacts of Covid-19", paragraph on "Impairment losses on assets", paragraph A.2.7 "Intangible assets"

Notes to the consolidated financial statements "Part B - Notes to the statement of financial position - Assets": section 10 Intangible assets

Key audit matter	Audit procedures addressing the key audit matter
As a result of a number of business combinations carried out in previous years, the consolidated financial statements at 31 December 2021 include goodwill of €28 million, comprising €27.8 million recognised by the subsidiary InvestiRE SGR S.p.A. in 2015, when Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A. were merged into it. As disclosed in the notes to the consolidated financial statements, in line with IFRS 3, the parent's directors allocated such goodwill to the asset management - real estate fund management cash-generating unit ("CGU"), which coincides with InvestiRE SGR S.p.A.'s business. The directors tested the reporting-date carrying amount of this goodwill for impairment by reference to the carrying amount of the CGU to which it had been allocated. As a result of the impairment test, the parent did not recognise any impairment losses on goodwill. Impairment testing require a high level of judgement, especially in relation to: — the expected cash flows from the CGU, calculated by taking into account the general economic performance and that of the group's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. The complexity of the above procedure due to the Covid-19 emergency which has severely affected economic conditions and potential future macroeconomic scenarios.	Our audit procedures included: — understanding the process adopted to prepare the impairment test adopted by the parent's directors. — gaining an understanding of the process used to draft the group's long-term plan approved by the parent's directors. — checking the most significant discrepancies between past years' estimates and actual figures, in order to check the accuracy of the estimation process; — analysing the criteria used to identify the CGU and trace its carrying amounts to the consolidated financial statements; — assessing the main assumptions used by the directors to determine the CGU's value in use, by comparing them to external information, where available, also in the light of the financial effects of the Covid-19 pandemic; we carried out these procedures with the assistance of experts of the KPMG network; — checking the sensitivity analysis presented in the notes; — assessing the appropriateness of the disclosures about goodwill, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

For the above reasons, we believe that the measurement of goodwill is a key audit matter.	

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

— identify and assess the risks of material misstatement of the consolidated 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 group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

On 1 August 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

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

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

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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

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

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

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

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

Rome, 30 March 2022

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

ATTESTAZIONE DEL BILANCIO CONSOLIDATO AI SENSI DELL'ART. 81-TER DEL REGOLAMENTO CONSOB N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE E INTEGRAZIONI

1. I sottoscritti Arturo Nattino in qualità di Amministratore Delegato e Giulio Bastia in qualità di Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del Bilancio consolidato al 31 dicembre 2021.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:

   3.1 il Bilancio consolidato:

   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
   b. corrisponde alle risultanze dei libri e delle scritture contabili;
   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.

   3.2 La Relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Roma, 21 marzo 2022

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

SUMMARY OF RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING OF 28 APRIL 2022

1. Separate financial statement closed on 31 December 2021 complete with the relative reports from the Board of Directors, Board of Auditors and the Company entrusted with the legal auditing of accounts. Presentation of the consolidated financial statement at 31 December 2021. Related and consequent resolutions.

   1.1. Approval of separate financial statement
   The proposal was approved unanimously, with the favourable vote of no. 17 right holders representing n.273,807,857 ordinary shares.

   1.2. Resolutions on the appropriation of the year's profit.
   The proposal was approved unanimously, with the favourable vote of no. 17 right holders representing n.273,807,857 ordinary shares.

2. Appointment of a Director to complement the Board of Directors. Related and consequent resolutions.

   The Shareholders' meeting approved the proposal of majority stakeholder Arturo Nattino, holder of 78,654,240 shares (held in trust) equal to 21.675% of the share capital, to appoint Giampietro Nattino as board member for the same duration as the appointed Board of Directors, up to the approval of the financial statement of 31 December 2023.

   The proposal was approved by a large majority, with the favourable vote of no. 13 holders right representing n. 273,732,291 ordinary shares, with the opposing vote of no. 4 holders right representing n. 75,566 ordinary shares.

3. Report on the remuneration policy and on the fees paid pursuant to art. 123-ter of Leg. Dec. 58/98 and 84-quater of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, including information on the remuneration policies for Directors, Employees and Consultants not bound by an employment relationship. Related and consequent resolutions.

3.1. Binding resolution on the first section of the report on the remuneration policy, drawn up pursuant to art. 123-ter(3) of Leg. Dec. 58/1998.
The proposal was approved unanimously, with the favourable vote of no. 17 right holders representing n.273.807.857 ordinary shares.

3.2. Non-binding resolution on the second section of the report on fees paid, drawn up pursuant to art. 123-ter(4) of Leg. Dec. 58/1998.
The proposal was approved unanimously, with the favourable vote of no. 17 right holders representing n.273.807.857 ordinary shares.

BANCA FINNAT EURAMERICA S.p.A.

Headquarters: Piazza del Gesù, 49 - Palazzo Altieri - 00186 Rome
Country: Italy
Main place of business: Rome
Registered office: Piazza del Gesù, 49 - Palazzo Altieri - 00186 Rome

Share capital: Euro 72,576,000 fully paid up
Tax code: 00168220069
VAT number: 00856091004
REA (Economic and Administrative Index) registration: 444286
Legal form: Joint-stock company

Company listed on the official market with shares admitted to trading in the STAR segment
Business Description: Monetary intermediation of monetary institutions other than central banks
Bank adhering to the Interbank Deposit Protection Fund
Included in the register of banks at Bank of Italy at no. 5557
Company name of the controlling entity: Banca Finnat Euramerica S.p.A.
Parent company of the Banca Finnat banking group Included Registered in the Register of banking groups
ABI code 03087

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