Cassa di Risparmio di Bolzano S.p.A.

Group

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2021

Cassa di Risparmio di Bolzano S.p.A.

Südtiroler Sparkasse AG

Table of Contents

Table of Contents

Letter from the Chairman and the Deputy Chairman

Dear Shareholders, Customers and Employees,

Most cordial greetings, also on behalf of the members of the Board of Directors and the Board of Statutory Auditors, on this occasion for the presentation of the financial statements relating to the **167th financial year of our Bank**, since its foundation in 1854. It is also an opportunity to hold a brief retrospective, as the current Board of Directors is at the end of its three-year term.

We are pleased to be able to inform you that Sparkasse concludes the **three-year** period with the achievement of **Euro 132.2 million in profits** and with the distribution of dividends for a total of Euro 27.2 million. We recall that in 2019 a three-year plan was launched which provided for the realisation of cumulative profits of Euro 99 million in the period 2019-2021.

The Board of Directors is particularly satisfied and proud of these data which are **the result of a far-sighted strategy** that has given priority to the pursuit of medium-long term objectives and of the great commitment of employees and collaborators. The choices made lead the Cassa di Risparmio Group to obtain **significant growth** both from a commercial point of view and from the point of view of capital strengthening and the reduction of credit risks.

These results also had a positive impact on **the Sparkasse share price, which appreciated by 8.8% in 2021.** The Bank's economic performance allowed us to distribute an extraordinary dividend in November 2021, which represents a clear signal to our shareholders. The **total dividend** paid by the Bank during the 2021 financial year amounts to Euro 18.4 million, which **represents the highest amount since 2008**.

A clear vision of how the role of a modern bank that is attentive to the needs of the territory can be interpreted make **Sparkasse one of the few realities in the banking world that in recent years have grown** from the point of view of activities, reducing risks, supporting companies, and families even in difficult moments of health emergency. Sparkasse made it **through the COVID phase without setbacks**.

The **net profit** of the last financial year 2021 reaches the amount of Euro **72.6 million at the consolidated level** and, **at the individual level** of the Bank, the amount of Euro **71.3 million**. Both results represent **the highest level in the history of the Bank** confirming the ability to generate **profitability and a return of significant value for shareholders**.

Our Bank enjoys an excellent opinion both with **national institutions, such as ABI and ACRI**, and with **European institutions, such as ESBG (European Savings Banks Group),** and also the **Supervisory Authorities** have appreciated the virtuous path that the Bank has achieved. We also remember our efforts in terms of risk reduction: the ratios, accompanied by the record percentage of coverage generated by provisions, **now place Sparkasse among the best three banks nationwide.** Profits in recent years have been growing, and **revenues from services**, thanks to the consultancy activity, are at **the highest level ever recorded in the history of the Bank**. Assets under management recorded a doubling compared to the values at the end of 2015.

Sparkasse can count on **a close-knit and productive team**, starting from the entire Board of Directors, the Chief Executive Officer and General Manager Nicola Calabrò, the Board of Statutory Auditors and then management and collaborators - an excellent team. We would like to take this opportunity to express our compliments and thank everyone for their assiduous commitment, especially in the difficult pandemic period experienced in the last two years. Acknowledgement is naturally due to all Members and in particular to the Cassa di Risparmio Foundation; we lived through challenging times seven years ago, which we have now overcome brilliantly.

All this represents the basis for addressing the strategic transaction decided in December 2021 by the Board of Directors for the **acquisition of CiviBank** as the next step to give our Bank a prospect of even greater strength for the benefit of shareholders, customers and employees. Since these banks share a very similar vision that favours the value of relationships with people and territories, the new group will be able to express a very important growth potential.

We recall that the Board of Directors in April 2021 approved the **new 2021-23 strategic plan** of the group, which confirms both the growth path and the evolution towards an increasingly innovative bank model, foreseeing investments and projects for technological evolution. With the new plan that the Bank has approved, we set ourselves **the goal, while maintaining our independence, of positioning ourselves among the most solid banks in Italy**, generating good profitability, with a marked sensitivity on issues of **sustainability and innovation.** We want to be a bank that brings real value to people's daily lives, **focusing on excellence**, adapting to the customer and not vice versa, **and serving regional circuits that are the backbone of our economy**.

We thank **our stakeholders** and, as already mentioned, the Shareholders, including first of all our reference shareholder, the Cassa di Risparmio Foundation, the other national and foreign banks and foundations, the Customers, the Bodies, the Associations and the Suppliers, and also the Institutions.

We take this opportunity to address a special farewell greeting to "Schaly" Pichler, the former Chairman of the Cassa di Risparmio Foundation, who unfortunately left us last year. He was an extraordinary personality, full of life and the desire to accomplish. During his presidency he showed great foresight, always providing the Bank with the utmost support in very difficult moments. His big heart suddenly stopped beating in December. Thanks "Schaly", rest in peace, we will miss you.

We conclude with a mention of the disturbing events and developments relating to the invasion of Russia in Ukraine. As a sign of closeness and solidarity with the Ukrainian people, we decided to project the (Ukrainian) flag on the facade of the bank and have also launched a solidarity action through our ATM machines. We trust that the state of peace will be restored as soon as possible.

Thanks to the commitment in recent years we have been able to significantly enhance our Sparkasse. We feel ready and prepared to face the new challenges to offer the best possible returns to our Shareholders.

Kind regards.

Gerhard Brandstätter

Chairman, Cassa di Risparmio di Bolzano

Carlo Costa

Deputy Chairman, Cassa di Risparmio di Bolzano

Bolzano, 18 March 2022

Letter from the Chief Executive Officer and General Manager

Dear Shareholders, Customers and Collaborators,

The route in recent years has seen us carry out a **path of strengthening** which included, among other things, a **focus** on **consultancy, innovative activities** and **specific skills** in new sectors. We have expanded and diversified, for example, the offer of insurance products and **we have gone "beyond"** what can be defined as the so-called **traditional boundaries of most banks**, by offering our customers the possibility of stipulating long-term rental contracts for cars, or to sign energy and gas supply contracts at our branches.

Sparkasse confirms its vocation as a bank highly **specialised in asset management**. **Assets under management** in 2015 amounted to Euro 1.058 billion and **more than doubled** to Euro 2.130 billion in 2021. Also with regard to the granting of credit, Sparkasse did not fail to support families and businesses and, for example, the **loans granted** to our customers have grown considerably over this period of time. From Euro 16 million, the volume of mortgages has risen to 25 million monthly in disbursements today.

As far **as credit quality** is concerned, there was a marked reduction in the level of risk and a continuous improvement in the coverage rates. The NPL net non-performing loan indicator (indicator which measures the riskiness of the loan portfolio and which also takes into account the write-downs of loans already made) stood at 1.3%. This value, associated with an important level of provisions equal to 67.5%, places the Bank among the realities in the Italian banking system with the stock of loans to customers with the lowest levels of impairment.

Capital solidity has largely strengthened and the Bank is now very solid, with a CET1 stability indicator of almost 15%.

Despite the persistence of the COVID-19 health emergency, the year marked an acceleration of activities for Sparkasse. All improving indicators reflect the state of health of a Bank ready to face the new challenges.

The 2021 profit at consolidated level reaches the amount of **Euro 72.6 million** and at the individual level of the Bank the amount of **Euro 71.3 million.** Both results represent the highest level in Sparkasse's history. The consolidated result also benefits from non-recurring items for approximately Euro 22.2 million net, deriving from the securities portfolio and tax benefits.

The positive results on the commercial front, accompanied by a process of continuous efficiency improvement, also directed the Bank towards a strong increase in the operating result. **The "core" operating profit went from Euro 30 to 50 million**.

This positive trend was generated by the increase in revenues, both from services and from interests. **Revenues from net interest income** amounted to Euro **149.4 million** and increased by **7.2%** compared to 2020 thanks to the increase in volumes and the optimisation of funding sources. **Revenues from services** amounted to Euro **94 million** and grew by **13.1%** compared to the previous year, confirming the propensity for diversification in 2021 as well.

Operating costs amounted to Euro **152.9 million**, with a **3.1%** increase due to the implementation of the initiatives envisaged in the business plan aimed at strengthening and innovating the bank.

Faced with these dynamics, efficiency also significantly improves, represented by the "**cost income ratio**" indicator which drops from 64.8% to **56.4%.** Even excluding non-recurring items, the figure would still have improved, settling at **60.5%.**

New medium/long-term **loans** during the year amounted to Euro **1,175 million**, of which Euro 828 million in favour of businesses, and Euro 347 million in favour of households.

As regards the balance sheet data, progress has been made in all sectors:

- ✓ **direct funding** is up by **9.6%,**
- ✓ **managed funding** is up by **18.6%,**

- ✓ **gross loans** to customers are up by **2.7%.**

The new flows of **assets under management** amounted to Euro **232 million**, compared to the already brilliant 2020 figures which reached Euro 129 million and show how Sparkasse is increasingly becoming a bank specialised in asset management.

The capital ratios strengthened with the **CET1 ratio** growing from 13.83% to **14.86%** and the **Total Capital Ratio** from 15.07% to **16.09%.**

The improvement in the risk profile is of particular importance: the indicator relating to non-performing loans, **gross NPE ratio** falls from 5.3% to **3.9%** and at the **net** level, as already mentioned, from 1.8% to **1.3%**.

In the first months of the 2021 financial year, we approved the **new 2021-2023 business plan** that we are now implementing in order to maintain the role of a **local bank**, which is one of our strengths: in fact, customers recognise us as a "neighbourhood" bank, with which it is always possible to communicate. This will always remain an important aspect because **it is part of our DNA**. But at the same time it must be taken into account that there are elements in the development of technology that allow us to innovate to add to the classic model of interaction relationship opportunities based on direct distance contacts. In fact, the **new virtual branch "Sparkasse Meet"** recently got underway, which will allow customers to remotely access the bank's services, including consultancy.

We believe that the new challenges of the business plan are important and ambitious. We want to be a bank that focuses on **sustainable growth**, which consolidates its **role as a modern bank and is attentive to new market trends**. A bank that invests in its people to offer the right solutions to the financial needs of customers by combining the human relationship with the need for innovation.

At the beginning of December 2021, the path aimed at **acquiring** control of **CiviBank** was announced, where Sparkasse is a shareholder with a 17.09% stake, which rose from 9.18% with the latest capital increase. We recently made a very important strategic decision, namely that of wanting to acquire CiviBank to create the new, most important local banking group based in the north east. The new dimension will make it possible to achieve considerable economies of scale and industrial synergies which will strengthen the two banks and which will create further development opportunities for Sparkasse.

Customers confirm their satisfaction with our services every year by rising flows and requests that progressively increase the level of our activities. After having achieved significant results in terms of profitability, invested important resources in innovation in recent years and at the same time strengthened the bank from a capital point of view, we are ready to continue on our path that sees us face in 2022 also the transition to the growth by external lines in order to reach a size threshold that will further improve efficiency and investment capabilities.

Kind regards,

Nicola Calabrò

Chief Executive Officer and General Manager

Bolzano, 18 March 2022

Consolidated summary sheet

Consolidated summary sheet

SUMMARY SHEET

Consolidated balance sheet figures (in thousands of euro)	31/12/2021	31/12/2020	Absolute change +/-	% change
Total Assets	**11,290,928**	**10,256,058**	**1,034,870**	**10.09%**
Financial investments	**10,543,652**	**9,568,485**	**975,167**	**10.19%**
Financial assets measured at fair value through profit or loss	293,206	264,003	29,203	11.06%
Financial assets measured at fair value through other comprehensive income	375,426	125,532	249,894	199.07%
Financial assets measured at amortised cost	9,875,020	9,119,970	755,050	8.28%
- of which Loans to banks[1]	539,307	530,237	9,070	1.71%
- of which Loans to customers	9,335,713	8,589,734	745,979	8.68%
- net loans	*6,448,855*	*6,215,825*	*233,030*	*3.75%*
- debt securities	*2,886,858*	*2,373,909*	*512,949*	*21.61%*
Property, plant and equipment	317,795	316,691	1,104	0.35%
Intangible assets	17,043	12,139	4,904	40.40%
Equity investments	6,384	0	6,384	
Direct funding	**7,774,844**	**7,095,590**	**679,254**	**9.57%**
Due to customers	7,664,491	6,986,078	678,413	9.71%
Payables represented by securities	110,353	109,512	841	0.77%
Due to banks	2,335,732	2,102,438	233,294	11.10%
Total funding	**10,110,576**	**9,198,028**	**912,548**	**9.92%**
Direct funding 2	7,774,844	7,095,590	679,254	9.57%
Indirect funding	4,469,277	4,005,165	464,112	11.59%
Total funding	**12,244,121**	**11,100,755**	**1,143,366**	**10.30%**
Shareholders' equity	**869,524**	**782,218**	**87,306**	**11.16%**

Consolidated income statement figures (in thousands of euro)	31/12/2021	31/12/2020	Absolute change +/-	% change
Net interest income	149,363	139,355	10,008	7.18%
Gross contribution margin 3	271,318	228,995	42,323	18.48%
Gross operating result 4	105,948	70,761	35,187	49.73%
Net operating result 5	92,898	48,292	44,606	92.37%
Gross profit (loss)	93,298	46,175	47,123	102.05%
Profit (loss) for the year	72,609	30,303	42,306	139.61%

Capital ratios (%) 6	31/12/2021	31/12/2020	+/- change
CET 1 Capital Ratio	14.86	13.83	1.03
Tier 1 Capital Ratio	15.68	14.64	1.04
Total Capital Ratio	16.09	15.07	1.02

Liquidity ratios (%)	31/12/2021	31/12/2020	+/- change
LCR (Liquidity Coverage Ratio)	196.11	154.59	41.52
NSFR (Net Stable Funding Ratio)	125.34	120.69	4.65
Leverage Ratio (ratio between Tier1 and Total assets)	7.30	7.44	-0.14

Coverage of non-performing loans (%)	31/12/2021	31/12/2020	+/- change
Coverage of bad loans	86.01	86.18	-0.16
Coverage of unlikely to pay	61.49	59.23	2.26
Total coverage of non-performing loans	67.34	67.81	-0.47
Gross NPL ratio	3.87	5.25	-1.39
Net NPL ratio	1.30	1.76	-0.46
Texas Ratio 7	9.85	14.22	-4.37

Profitability and efficiency ratios (%)	31/12/2021	31/12/2020	+/- change
ROE - Return on equity 8	8.79	3.97	4.82
Gross contribution margin/brokered funds 9	1.47	1.32	0.15
Cost/income ratio 10	56.37	64.75	-8.38

1) following the 7th update of Bank of Italy Circular no. 262, demand deposits with banks are no longer shown under the item

2) direct funding, starting from 2019, includes lease payables recognised in accordance with IFRS 16.

3) coincides with the net interest and other banking income (Item 120 of the consolidated income statement)

4) net interest and other banking income - operating costs (excluding allocations to provisions for risks and charges)

5) profit (loss) from current operations after tax (Item 310 of the consolidated income statement)

6) IFRS 9 phased-in figures

7) ratio between net non-performing loans and tangible shareholders' equity

8) ratio between profit for the year and closing shareholders' equity (average of the last two years)

9) total funding and loans to customers

10) the value was determined without considering the payment of contributions to the Crisis Resolution and Deposit Guarantee Funds.

Board of Directors' Report on Group operations

1. INTRODUCTION

In compliance with the provisions of IFRS 10, in addition to the Parent Bank, the following companies are included in the scope of consolidation:

- Sparim S.p.A.;
- Raetia SGR S.p.A. in liquidation;
- Sparkasse Haus S.r.l.;
- the Dolomit Real Estate Fund in liquidation;

100%, 97.815%, 100% and 96.82% owned respectively;

- Fanes S.r.l. special purpose entity of the self-securitisations put in place by the Parent Bank, included in the scope of line-by-line consolidation in compliance with the more extensive definition of "control" dictated by IFRS 10 from 1 January 2014.

With regard to the equity investment in Raetia SGR S.p.A. in liquidation, it should be noted that, although it falls within the scope of consolidation, following its placement in liquidation on 27 April 2012, the totals of the Assets and Liabilities as well as the income statement result are respectively classified under the items "Non-current assets and groups of assets held for sale", "Liabilities associated with assets held for sale" and "Profit (loss) from discontinued operations after taxes" for their carrying amount after the elision and consolidation entries.

In addition, it should be noted that, with reference to the closed-end real estate fund Dolomit, managed by Castello Sgr S.p.A., on 13 February 2019 the shares were paid back to the subscribers (albeit partially and not definitively), following the final liquidation process of the Fund itself, which will be concluded shortly.

Also included in the scope of consolidation is the 25% investment in Autosystem società di servizi S.p.A. over which the Parent Bank exercises a significant influence, i.e. holds a stake of between 20% and 50%. This company is valued and consolidated using the equity method.

In the consolidated financial statements, in addition to the elimination of intra-group items, as well as of dividends collected, intra-group profits, not realised with third parties, were eliminated.

2. THE MACROECONOMIC SCENARIO

2.1 The international economic context and changes in the banking system

Thanks to the partial, albeit in part only temporary, removal of the restrictions ascribable to the effectiveness of health measures and the advancement of vaccination campaigns, especially in advanced countries, in 2021 there was a marked rebound in world economic activity, after the sharp contraction caused in the first half of 2020 globally by the spread of the coronavirus outside China and a series of severe but necessary measures to contain the pandemic, including social distancing and lockdown. In the third quarter of 2021 (the last period for which data are available at the time of drafting this document), GDP increased by 1.7% compared to the previous period in the G20 economies, i.e. in the most important industrialised and emerging countries, and 1.1% in OECD countries (Organisation for Economic Cooperation and Development), i.e. in the main advanced countries, 2.3% and 0.7% respectively above the level at the end of 2019. This is the fifth quarter of growth after two quarters of strong contraction. Both the G20 economies and the OECD countries have therefore already recovered from the sharp decline in economic activity of the first half of 2020. Compared to the same period of 2020, however, GDP in the third quarter shows an increase of 4.7% in the G20 economies and 4.6% in the OECD countries. With reference to the three most important economic areas, based on the preliminary estimates for the fourth quarter of 2021 released at the end of January, GDP increased by 4.6% compared to the same period of 2020 in the Eurozone, by 5.5% in the United States and 4.0% in China. In 2020, on the other hand, the Eurozone economy contracted by 6.4% and the United States by 3.4%, while China grew by 2.2%, one of the few countries to do so on a global level.

At the end of January, the International Monetary Fund (IMF) revised its projections for world growth in 2022 down by five tenths, while at the same time raising those for 2023 by two tenths. The downward revision for the current year is largely explained by lower growth forecast for both the United States (due to a number of factors including, the stalemate in Congress of the "Build Back Better" social spending plan of the Biden administration, the early withdrawal of accommodative monetary policy by the Federal Reserve and persistent bottlenecks in supply chains) and China (due to disruptions caused by the pandemic, the "zero tolerance" policy for COVID-19 and problems in the real estate sector). The new growth projections are conditional on the health situation improving significantly in most countries by the end of 2022. However, according to the IMF, the risks to growth remain on the downside. In particular, adverse developments on the pandemic front, the impact on global financial conditions of a less accommodative monetary policy in the United States, continuing problems in global supply chains, higher inflation and a more pronounced slowdown in the Chinese property market are mentioned, without forgetting the geopolitical tensions and the greater likelihood of natural disasters due to climate change.

According to the latest IMF projections from January, world GDP is expected to increase by 4.4% again this year, after most likely rebounding by as much as 5.9% in 2021. By 2020, global economic activity contracted by 3.1%. The cyclical dynamics will then ease further in 2023, by six tenths to 3.8%. Although the growth differential between emerging economies and advanced countries is still favourable to the former, it will narrow further this year, but then widen again in the following years. The GDP of advanced economies is expected to increase by 3.9% this year and 2.6% next year, after rising 5.0% in 2021. The economy of emerging countries will instead expand by 4.8% this year and 4.7% in 2023, after having registered a growth of 6.5% in 2021. With reference instead to the three most important economic areas, after a growth of 5.2% in 2021, the GDP of the Eurozone should increase this year by 3.9% and next year by 2.5%. The United States, on the other hand, will grow by 4.0% in 2022 and 2.6% in 2023, while in 2021 the GDP rose by 5.7%. Finally, the Chinese economy is expected to expand by 4.8% in 2022 and 5.2% in 2023, after having grown by as much as 8.1% in 2021, registering the most pronounced pace of expansion since 2011.

During 2021, pressure on consumer prices increased significantly. This increase, considered for a long time mostly transitory by the main central banks, is largely due to three factors, namely the strong rise in energy prices, the recovery of demand connected to the reopening of the economy which has encountered problems on the supply side (due to bottlenecks in global supply chains and logistics) and upside base effects. In OECD countries, inflation jumped to 6.6% in December, reaching its highest level since July 1991. On the average in 2021, the annual rate of change in the consumer price index accelerated by 2.6 percentage points to 4.0%, recording the largest increase since 2000, after having however registered in 2020 the smallest increase since 2016. As regards the Eurozone, on the other hand, inflation rose to 5.0% in December, reaching a new high in the historical series, since 1997. Whereas, on average in 2021, the annual rate of change in the consumer price index increased by 2.3 percentage points to 2.6%. Core inflation, which excludes the volatile food and energy components, stood at 2.6% in December for the second consecutive month. In this case it is also a maximum of the historical series. The latest European Central Bank (ECB) projections for December only indicate a gradual easing of pressure on consumer prices. Inflation should therefore remain on average for the year still at 3.2% in 2022, but then slow down to 1.8% in 2023, returning below the symmetrical 2% medium-term target of the ECB itself.

2.2 New legislation and regulations

2.2.1 Fiscal and financial measures contained in the 2022 Budget Law

1. The innovations in force for companies

Refinancing of the new Sabatini

In order to ensure continuity to the measures to support the productive investments of micro, small, and medium-sized enterprises pursuant to Article 2 of Decree Law 69/2013, the authorisation for expenditure is increased by Euro 240 million for each of the years 2022 and 2023, and Euro 120 million for each of the years from 2024 to 2026, and Euro 60 million for the year 2027. The "New Sabatini" measure is considered one of the main national subsidy instruments. Operationally, against the granting of an ordinary loan for the implementation of an investment program, the Ministry of Economic Development grants a contribution to the plant account based on an interest rate conventionally assumed equal to 2.75 percent per annum for ordinary investments and 3.575 percent for investments in digital technologies and waste tracking and weighing systems (so-called 4.0 investments).

The restoration of the ordinary functioning mechanism of the pre-COVID measure is also envisaged. Therefore, the disbursement in a single solution returns, within the limits of available resources, only for applications with a loan of an amount not exceeding Euro 200,000.

Plastic tax

After the postponement decided last year, there is an additional one for the entry into force of the two taxes on plastic and sugar established by the 2020 Budget Law (Law 160/2019).

In detail, the effectiveness of the establishing provisions in paragraphs 634-658 of Law 160/2019 which established and governed the tax on the consumption of plastic products with single use (MACSI) that have the function or are intended to contain, protect, handle, or deliver goods or food products, with the exception of compostable products, medical devices, and MACSIs used to contain and protect medicines, is postponed to 1 January 2023.

In addition, the sugar tax is also postponed to 1 January 2023, i.e. the tax on the consumption of sugary drinks set at Euro 10 per hectolitre in the case of finished products and Euro 0.25 per kilogram in the case of concentrated products. The tax is governed by paragraphs 661-676 of Law 160/2019.

Industry 4.0 credit review

With the innovations introduced for investments made from 2023 to 2025 in material assets functional to the technological and digital transformation of companies according to the Industry 4.0 model, the tax credit is recognised in varying degrees depending on the amount of the investment. In detail, paragraph 1051 of the 2021 Budget Law is amended, which identifies the beneficiaries of the subsidy, in order to eliminate the reference to the expiry date of the tax credit.

The discipline of the subsidy is inserted starting from 1 January 2023 and up to 31 December 2025, or by 30 June 2026 if by 31 December 2025 the relative order is accepted by the seller and the payment of advances has been made in measure at least equal to 20 percent of the acquisition cost.

The new line-up of rates envisaged for investments involving intangible assets up to 2025 is envisaged within the maximum annual limit of eligible costs equal to Euro 1 million.

Expenses for services incurred in relation to the use of assets through solutions with shared and connected computing resources (so-called "cloud computing") are also considered eligible, for the relevant portion.

In all cases, the previous year's rate is recognised for investments made by 30 June of the following year provided that at 31 December the relative order is accepted by the seller and the payment of advances has been made in an amount at least equal to 20 percent of the acquisition cost.

Tax credit for investments in research and development

The regulation of the tax credit for investments in research and development, in ecological transition, in technological innovation 4.0 and in other innovative activities has been modified and extended. Facilitation recognised until 31 December 2031.

Also for technological innovation activities aimed at creating new products or production processes to achieve an ecological transition or digital innovation 4.0 goal, the tax credit is extended until the 2025 tax period.

It is also specified that in compliance with the indicated ceilings and on condition of the analytical separation of projects and expenses relating to the different types of activities, it is possible to apply the benefit also for several eligible activities in the same tax period.

Superbonus: the extensions of the 2022 Budget Law

Article 1, paragraph 28 letters a) - e) and g) - l) introduces an extension of the 110% Superbonus measure, with different deadlines based on the beneficiary.

In summary:

- for condominiums,
- natural persons (outside the exercise of a business, art or profession),
- voluntary organisations and social promotion associations,

an extension to 2025 is envisaged with a progressive decrease in the deduction percentage, that is

- from 110% for expenses incurred by 31 December 2023,
- up to 65% for those incurred in the year 2025.

In particular, for interventions carried out by condominiums and natural persons (outside the exercise of a business, art or profession) with reference to interventions on buildings consisting of two to four distinctly stacked real estate units, even if owned by a sole owner or jointly owned by several natural persons, including those carried out by natural persons on individual real estate units within the same condominium or building, as well as those carried out on buildings subject to demolition and reconstruction, the deduction is also due for expenses incurred:

by 31 December 2025,

- to the extent of 110 percent for those incurred by 31 December 2023;
- 70 percent for those incurred in the year 2024;
- 65 percent for those incurred in the year 2025.

The possibility of using the measure for housing cooperatives with undivided ownership is extended until 30 June 2023.

For the same subjects, if works have been carried out (at 30 June 2023) for at least 60 percent of the total intervention, the deduction is also due for expenses incurred by 31 December 2023 (similarly to what is already provided for the IACP).

It is also envisaged that for interventions carried out on real estate units by individuals, the tax relief is also due for expenses incurred by 31 December 2022 provided that at 30 June 2022 work has been carried out for at least 30 percent of the overall intervention (without further reference to the ISEE value).

It is established that the price lists identified by the decree of the Minister of Economic Development of 6 August 2020 also apply to other building recovery and energy re-qualification interventions.

Finally, during the examination in the Senate, the provisions of Decree Law no. 157 of 2021 (anti-fraud decree) were transfused into the 2022 Budget Law, which:

- extend the compliance visa obligation also to the case in which the so-called Superbonus is used as a deduction in the tax return, except in the case in which the return is presented directly by the taxpayer, through the use of the pre-filled return prepared by the Revenue Agency or through the withholding agent who provides tax assistance;

- provide that in order to establish the fairness of prices, to be certified by a qualified technician, it is also necessary to refer to the maximum values established, for certain categories of goods, by decree of the Minister of ecological transition.

2. The novelties in force for work and family

Pensions

The measures in the social security field include:

- the stop of Quota 100, and the passage only for 2022 to Quota 102 (early exit with at least 64 years of age and 38 contributions),
- extension of the Woman Option: with calculation of the fully contributory pension for women workers with 35 years of paid contributions, with unaltered personal requirements (lower than the initial draft of the Government) equal to 58 years of age for employees and 59 for the self-employed,
- new early exit for employees of SMEs in crisis at 62 thanks to a Fund for employees of small and medium-sized enterprises in crisis, a regulation for which an implementation decree is awaited,
- one-year extension of the pension advance with Social Ape, extended to new categories of heavy work,
- reduction of the contribution requirement for access to the social Ape for construction workers, potters and plant operators for ceramics and terracotta from 36 to 32 years.

New Citizenship Income and help for expensive bills

Citizenship income is confirmed and refinanced with Euro 2 billion for 2022 and 2023. However, there is:

- An acceleration of the procedures connecting the subsidy and the obligation to work which becomes more stringent. The application submitted to INPS will be equivalent to the DID (declaration of immediate availability to work) and automatically transmitted to Anpal.
- The subsidy will be cancelled upon the second refusal of a suitable job offer.
- From 1 January 2022, the amount of the subsidy will be reduced by Euro 5 per month, starting from the sixth month (except for families in which there are children under three years old, or with severe disabilities or non-self-sufficiency) if it is at least Euro 300, multiplied by the corresponding parameter of the equivalence scale (based on the number of members).
- The job offer will be considered appropriate if within 80 km of distance from the residence instead of 100 km or reachable within one hundred minutes by public transport if it is a first offer, or simply in Italy (instead of the current 250 km) if it is the second offer.
- Incoming controls are strengthened in particular on assets abroad to avoid abusive uses.

70 million are allocated to the employment centres from 2022, in addition to 20 million that will be used to meet the operating costs for the implementation of active labour policies for young Neet (who do not study or work) between 16 and 29 years old.

Expensive bills

They are confirmed for:

- The elimination of general system charges for household electricity users and reduction of charges for the remaining users.
- VAT reduced to 5% and zeroing of system charges on natural gas, for all users, domestic and non-domestic. (Read more about Gas bills: who is entitled to the reduction).
- The ARERA bonus for disadvantaged families is strengthened.

Social safety nets reform

Approximately Euro 5 billion are allocated in 2022 to the reform of social safety nets, which provides for:

- a longer duration of the NASPI and DISCOLL unemployment benefits with decalage starting from the sixth month instead of the fourth (and from the eighth for those over 55). The Naspi is obtained from 2022 even without the 30 days of work in the last year;
- an extension of ordinary and extraordinary wage integration institutions to workers of companies currently not included in the protections such as apprentices and home workers. The Wage Integration Fund, from 1 January 2022, will also target companies with only one employee, and the bilateral funds will also have to adapt by the end of 2022. Companies with up to 5 employees can count on 13 weeks in a mobile two-year period; for companies with more than six employees there are instead 26 weeks of ordinary wage integration cheque, to be financed at a rate of 0.50% for companies with up to 5 employees, and 0.80% for those with more employees;
- failure to contribute to bilateral funds makes it impossible to obtain the DURC;
- 15 million a year are allocated for a new total contribution exemption for those who hire workers of companies in crisis for an indefinite period for which negotiations are open at the Ministry of Economic Development;
- the extension to 2022 and 2023 of the expansion contract (which allows for an early departure of 5 years) extended to all companies that employ more than 50 employees.

Young people, maternity, tax relief for the lowest incomes

- For young people, the Culture Bonus of Euro 500 per year for eighteen-year-olds will be fully implemented.
- The tax incentives provided for the purchase of the first home by the under 36 are extended for 2022.
- The Youth Rentals Fund is refinanced to grant a 20% tax discount on the rents paid by young people between 20 and 31 who go to live alone. The maximum amount of the deduction will be Euro 2,400 per year.
- Paid and mandatory 10-day paternity leave is made structural, i.e. without expiry. The optional extra day is also confirmed.
- A new relief is envisaged for the return of employees after maternity leave: on an experimental basis for 2022, employers will be able to have a 50% exemption for one year from the payment of social security contributions when they return to the workplace from obligatory leave.
- The maternity allowance for self-employed women with less than Euro 8,150 of income is extended by three months. Members of private funds are also included.
- For employees with less than Euro 35 thousand of taxable wage per year, INPS contributions drop by 0.8%, only in 2022.

Public employment

For the public sector, 1.8 billion are expected in three years, of which 870 million by 2022, for:

- new hires,
- wage increases in a new contract 2022-2024 (370 million). In particular, increases are foreseen for the mayors of the Municipalities with a doubling of the current allowances in the next three years,
- the financing of the revision of the legal systems,
- the allocation of higher productivity bonuses to central administrations.

2.2.2 Summary of the main regulatory impacts of interest for the banking system

7th update of Circular no. 262 "The bank financial statements: formats and rules for preparation"

The seventh update modifies Circular no. 262 "The bank financial statements: formats and rules for preparation" of 22 December 2005 with the aim of aligning the financial statements with the consolidated supervisory financial reports harmonised at European level (FINREP).

The main changes, introduced by the seventh update in order to align, as far as possible, the financial report with the consolidated supervisory financial reports harmonised at European level (FINREP), concern the representation in the financial statements of:

i) on demand loans to banks which are included in the item "Cash and cash equivalents", therefore leaving only the loans to banks other than "on demand" in the item "Financial assets measured at amortised cost";

ii) "Purchased or originated impaired" financial assets whose disclosure is excluded from the breakdown by credit risk stage and recognised separately, and this is for all portfolios to which they belong;

iii) breakdown of "Intangible assets", the breakdown of which highlights software that is not an integral part of hardware pursuant to IAS 38;

iv) commission income and expense, the breakdown of which has been aligned with that of FINREP;

v) contributions and any commitments for contributions to resolution funds and deposit guarantee schemes, which are required to provide separate evidence in the breakdown of "Other administrative expenses" and "Allocations to provisions for risks and charges".

36th update of Circular no. 285/2015 "Supervisory provisions for banks"

The evolution of the supervisory regulatory framework at European level requires a continuous adaptation of the internal regulations of the individual national entities and this is particularly evident with reference to the prudential supervision of banks. A few days after the publication of the 35th update, on 20 July the Bank of Italy issued the 36th update to Circular 285, on the internal control system which amends Chapter 3 - Title IV - Part One, of Circular 285 to implement the EBA Guidelines no. GL/2020/06 on the granting and monitoring of loans (the "Guidelines"). These interventions are aimed at ensuring a connection of the provisions on corporate governance (specifically, the internal control system, duties and powers of the corporate bodies, composition and appointment of the corporate bodies, functioning of the bodies, self-assessment of the bodies and disclosure obligations to the public) and risk management, contained in Circular 285, with those of the Guidelines which specify aspects of the internal governance of intermediaries relating to the granting and the entire life cycle of loans.

Specifically, some provisions relating to the criteria for carrying out property valuation activities are repealed as they are governed by the Guidelines and references to the possibility of using internal standards for property valuation are eliminated as they are not provided for by the same Guidelines. The regulatory provisions on the valuation of properties used as collateral for exposures, on the professionalism and independence requirements of the appraisers and on the entrusting of the valuation activity to external appraisers have been maintained as they provide further detailed provisions on national standards and requirements referred to in the Guidelines.

37th update of Circular no. 285/2015 "Supervisory provisions for banks"

In November 2020, the Bank of Italy put the proposal to amend the provisions of Circular 285 for consultation on the subject of remuneration and incentive policies and practices.

This amendment proposal, subsequently implemented with the 37th update of Circular 285, is part of the context of implementation of CRD V, which introduces important changes in terms of:

- identification of the categories of banks and the amounts of variable remuneration to which some more detailed rules do not apply;
- identification of personnel who assume significant risks for the bank or for the group to which it belongs;
- gender neutral remuneration policy which introduces the obligation to define and implement a gender neutral remuneration policy with respect to personnel;

- exclusion of some group companies, other than banks, from the consolidated scope of the remuneration rules;
- possibility for listed banks to use instruments linked to shares for the payment of a portion of variable remuneration;
- increase in the deferral period of variable remuneration for all identified personnel to 4-5 years;
- identification of the minimum deferral period for the members of the administrative body and for the senior management of "significant institutions", which must have a duration of at least 5 years and to which the provisions of the Bank of Italy are already aligned.

In revising the rules on remuneration, the CRD V entrusts the EBA with the power to (i) develop regulatory technical standards for identifying staff whose professional activities have a material impact on the bank's risk profile, (ii) to issue guidelines on gender neutral remuneration policies, and finally (iii) to issue guidelines to facilitate the implementation of exemptions regarding variable remuneration elements. Therefore, the EBA, with the support of the national authorities (including the Bank of Italy) is working to implement the mandates foreseen by the CRD V.

With reference to the gender neutral remuneration policy, the amendments, based on the contents of the texts drafted up to now by the EBA, provide for the introduction of gender neutral remuneration policies, which contribute to guaranteeing complete equality of staff remuneration levels with respect to the activity carried out. To this end, banks will have to make every effort to make the application and effectiveness of the neutral remuneration policies adopted accepted.

The intervention appears to be in line with the provisions aimed at guaranteeing an adequate female presence in the corporate bodies of the banks, setting itself the further objective of strengthening its scope, making effective, not only the presence of women on the boards of the banks, but also and above all the guarantee of non-discriminatory remuneration.**The national economic context**

The Italian economy grew by 6.5% in 2021, registering the best rate of expansion since 1976, after having contracted by as much as 8.9% in 2020 (the first decline since 2013 and the worst result since the post-war period). At the end of 2021, GDP was therefore just half a percentage point below the level at the end of 2019, but still a good 5.6% below the all-time high reached in the first three months of 2008. According to the latest government projections contained in the Update of the DEF (Economic and Financial Document) of 29 September 2021, the Italian economy should expand by 4.7% in 2022 and 2.8% in 2023. GDP will therefore exceed the pre-pandemic level at the end of 2019 in 2022 (probably already in the first half of the year). However, the government's estimates are much more optimistic than those of both the IMF and the European Commission. Indeed, according to the IMF's last projections in January, Italy will only grow by 3.8% in 2022 and by just 2.2% in 2022, while the European Commission's forecasts from the beginning of November shows a growth of 4.3% and 2.3% respectively.

Very positive signals also came from the labour market in 2021. The unemployment rate, after rising to 10.2% in January, the highest since April 2019, stood at 9.0% in December, thus showing a decline of eight tenths compared to 9.8% in December 2020. The number of employed persons rose by as much as 540 thousand units during the year to 22.746 million (+2.4%), still remaining 286 thousand units below the pre-pandemic level of February 2020. The increase in employment mainly concerned temporary employees, who grew by as many as 434 thousand units. Nonetheless, permanent employees also increased, albeit to a much more limited extent (+157 thousand units), despite a decline in the self-employed (-50 thousand units). The number of jobseekers, on the other hand, fell by 184 thousand to 2.230 million (-7.6%), while the inactive among 15 to 64 years decreased by as much as 653 thousand units to 13.101 million (-4.7%). This is the lowest level since May 2020 and February 2020 respectively.

Consumer prices increased on average by 1.9% in 2021 on average, after having registered a decline of 0.2% in 2020. This is the most pronounced increase since 2012 (+3.0%). This trend essentially reflects the dynamics of the prices of energy goods, which rose by as much as 14.1% after falling by 8.4% in 2020. Net of energy goods and fresh food (core inflation), consumer prices instead increased by only 0.8% (+0.5% in 2020). The inflation acquired for 2022 (i.e. the average growth that would occur in the year if prices remained stable until December) is equal to +1.8%.

2.4 The economic context in Northern Italy and Alto Adige

Alto Adige

The good performance of the vaccination campaign and the almost complete return to normality in the summer months favoured the recovery of the economy. From the end-of-year economic barometer of the IRE (Economic Research Institute of the Chamber of Commerce of Bolzano), it emerges that the gross domestic product (GDP), according to IRE estimates in 2021 recorded a growth of 5.5%, after a contraction of 10% in the previous year.
The development of the tourism sector was contrasted. After the complete cancellation of the 2020/21 winter season, the tourism sector recorded a marked recovery in the summer months. Between May and October, around 20.6 million visitors were registered. This is a 40.4% increase over the same period last year. Starting from July, the monthly values are even higher than the pre-crisis pandemic level of the corresponding months of 2019. However, the gap with a "normal" year remains marked: the presences between January and October 2021 were, in fact 31.9% lower than those recorded in the corresponding period of 2019.
Foreign trade remains an important driving force for the South Tyrolean economy. Exports from Alto Adige recorded a 10.1% growth compared to the previous year. Analysing the data by country, there is a particularly significant increase in exports to China (+47.3%), France (+42.6%), and the Netherlands (+27.3%). Exports to Germany, Alto Adige's main trading partner, also recorded growth of 4.4%.
In the retail sector, the recovery of tourist flows and the return to normality in the summer months favoured an increase in turnover and the consequent improvement in the climate of confidence in all branches. However, some unfavourable market conditions remain, in particular as regards the trend of costs and the punctuality of customers in payments. Furthermore, the high level of uncertainty regarding the development of the economic situation in the coming months continues to slow down investments in some sectors.
The climate of confidence in Alto Adige manufacturing is moderately positive and is benefiting from the recovery in turnover, especially in the foreign market. However, the dynamics of prices also contributed to the growth in turnover, having had to implement increases, often induced by the substantial increase in the price of raw materials.
Although positive, the climate of confidence in South Tyrolean construction is more moderate than the average for the provincial economy. About a quarter of companies in the sector complain of unsatisfactory profitability in 2021. Although demand remains high, also thanks to fiscal incentives provided at national level, the rise in prices and the difficulty in finding many building materials are holding back the recovery of the sector.
The number of employed persons in Alto Adige stood at 258,900 (-0.2%), while the number of job seekers decreased by 0.4%. The unemployment rate remains broadly unchanged at 3.4%.

Trentino

With regard to the economic situation in Trentino, the GDP in 2021 is expected to grow by 4.0% after a contraction of 9.8% in the previous year. The data from the Chamber of Commerce of Trento indicate that the overall turnover achieved by Trentino companies increased by 12.8% compared to last year, confirming the phase of significant recovery. All sectors are characterised by a decidedly positive change in turnover on a trend basis, with manufacturing which stands out for the most favourable trend (+16.7%) and retail trade for being the least consistent one, while remaining at positive values (+5.0%). Between the two extremes is the construction sector (+12.5%), a sector supported by national support measures such as the superbonus and the ecobonus. Exports also show a particularly significant recovery, with a positive change on an annual basis of 17.6%. As for the tourism sector, in the 2020/2021 winter season the movements were heavily influenced by the extraordinary situation caused by a new wave of the COVID-19 epidemic. The summer season, on the other hand, records, positive variations of more than 30% both for arrivals and for presences compared to summer 2020, due to the different epidemiological situation. Lastly, employment shows moderate growth (+2.6%), while the unemployment rate stands at 3.9% compared to 5.5% at the end of 2020.

Veneto

In the Northeast, particularly in Veneto, there was a recovery of the economy. GDP growth of 5.9% is expected for 2021 after a contraction of 9.0% in the previous year, as evidenced by the latest socio-economic Bulletin of the Veneto Region. In the first six months of the year, the value of Veneto's exports of goods increased by almost twenty-four percentage points compared to the figure recorded in the same period of 2020. Growth was most intense in EU countries, and in particular in the first two markets for Veneto products (Germany and France). In the manufacturing sector, the turnover of industrial companies increased significantly in the first nine months of the year compared to the same period of the previous year, thanks also to the recovery in foreign orders. During the year, the manufacturing production of companies grew by 18% compared to the corresponding period of 2020. In the tourism sector, after a 2020 with high losses (-54.4% of presences), the first seven months of 2021 show a recovery summarised in +38.4% of arrivals and a +57.5% of presences compared to the previous year. The recovery has not yet affected employment levels. The unemployment rate (5.8% at the end of 2020) remained at low levels due to the lower participation in the labour market by women. A recovery in employment took place starting from May, with the start of the tourist season.

2.5 The financial context

Interest rates and bond markets

The main central banks have confirmed their ultra-accommodative monetary policy for most of 2021, essentially ignoring the surge in inflation, which for a long time was considered mostly transitory. After purchasing USD 80 billion in government bonds and USD 40 billion in mortgage-backed securities each month, the Federal Open Market Committee (FOMC), the Federal Reserve's Monetary Policy Committee, nevertheless decided at its meeting on 3 November to start "tapering", i.e. the gradual reduction of the monthly volume of purchases. The pace of the reduction in purchases, initially amounting to 15 billion per month (10 billion in government bonds and 5 billion in mortgage-backed securities), was then doubled at the meeting in mid-December to take into account the further acceleration of the inflation, now no longer considered transitory. At this rate, bond purchases are expected to end in March, thus opening the door to a rate shift perhaps as early as the same month. The FOMC also recognised that the inflation mandate is not only met but exceeded, and that the mandate on maximum employment is very close. The median estimate of FOMC members now predicts three rate hikes in 2022, three more in 2023 and two in 2024. Currently, the federal funds rate is set in a range between zero and 0.25%.

The ECB, on the other hand, confirmed the deposit rate in 2021, equal to -0.5%, but modifying the forward guidance on its forward guidance at the meeting on 22 July, in line with the new symmetrical inflation target of 2% over the medium term. The Governing Council of the ECB now expects "benchmark interest rates to remain at or below current levels until inflation reaches 2% well before the end of its projected horizon and on a lasting basis for the rest of the projected horizon, and until it considers that the progress achieved by core inflation is sufficiently advanced to be consistent with the stabilisation of inflation at 2% over the medium term". This may involve a transitional period in which inflation is moderately above target. Instead, the Governing Council previously expected that "rates will remain at or below current levels until the inflation outlook converges firmly to a level sufficiently close to but below 2% and this convergence is consistently reflected in core inflation dynamics". As for the Pandemic Emergency Purchase Program (PEPP) with a total financial endowment of Euro 1,850 billion, net purchases of securities were made at a significantly higher pace in the second and third quarters of 2021 than in the first months of the year to try to counter the rise in the yields of government bonds of Eurozone countries. At the meeting of 9 September, the Governing Council then decided that in the last three months of the year net purchases will be made at a moderately slower pace than in the second and third quarters of the year, confirming at the meeting of 16 December the interruption of net purchases of securities under the PEPP at the end of March 2022. At the same time, however, it was decided to extend by at least one year, until the end of 2024, the horizon for reinvestments of the principal repaid on securities maturing under the PEPP. During 2021, the other monetary policy measures were then confirmed, namely net purchases under the Asset Purchase Program (APP) at a monthly rate of Euro 20 billion ("the purchases will end only shortly before the turnaround on interest rates"), the policies for the reinvestment of maturing securities under the APP ("for an extended period of time after the date on which the ECB will begin to raise interest rates") and the favourable conditions of the targeted longer-term refinancing operations (TLTRO-III) to provide liquidity to the banking system.

The confirmation of the rates by the ECB was also reflected in the rates of the interbank market. In fact, these have shown substantial stability for most of 2021. In the first ten months of the year, the three-month Euribor fluctuated in a narrow range between -0.55% and -0.53%, but then showed a sharp decline in November and in the first half of December, updating to -0.61% the all-time low. Expectations of short-term interest rate trends have increased considerably over the year in the case of long-term horizons, although short-term maturities remained substantially stable. This has led to a marked steepening of the curve, derived from the prices of three-month Euribor futures contracts. Market participants therefore expect rates to rise earlier and to a more pronounced extent than expected at the end of 2020. In fact, based on the prices of the futures at the end of 2021, the three-month Euribor should return above zero already during the second half of 2023, while at the end of 2020 the three-month Euribor was expected to remain in negative territory at least until September 2026, the last maturity then covered by a futures contract.

The yields of government bonds of Eurozone countries, while showing a volatile trend, increased significantly in 2021. However, the rise was more marked for the long part of the curve than for the short one. The increase in yields reflected several factors, including the surge in inflation and the improvement in growth prospects in the wake of the advancement of vaccination campaigns and the reopening of the economy, but also the prospective interruption of purchases under the PEPP by the ECB at the end of March 2022. The yield on the Bund, the 10-year German government bond, ended 2021 up 39 basis points (1 basis point = 0.01%) to -0.18%, after briefly rising in October to -0.06%, hitting the highest level since May 2019. The current level continues to be justified neither by growth prospects nor by inflation, but is mainly explained by the impact linked to the ECB's purchases under the various asset purchase programs, as well as by the "forward guidance" on rates.

On the other hand, as regards Italian government bonds, their yields fluctuated even more widely than German bonds. After updating the all-time low to 0.42% in February following the formation of a new government led by former ECB president Mario Draghi, the yield of the ten-year BTP pushed up to 1.16% in May, affected both the improvement in growth prospects, linked to the improvement in the health situation, and fears regarding the adjustment of the pace of asset purchases under the PEPP by the ECB. The spread of the Delta variant of the coronavirus, the publication of some weaker global macroeconomic data than expected and the confirmation, in June, of the pace of purchases in the context of the PEPP by the ECB then led to a sharp decline. In fact, in August the yield of the ten-year BTP substantially returned to the levels of the beginning of the year. However, the surge in inflation in the Eurozone and the expectation for a gradual exit from the ultra-accommodative monetary policy by the ECB ultimately led to a new rise in yields. The ten-year BTP yield therefore ended the year at 1.17% (compared to 0.54% at the end of 2020), after having pushed temporarily close to 1.30% at the beginning of November, reaching the highest level since July 2020. The spread between Italy and Germany over the ten-year maturity has instead widened by 24 basis points to 135 basis points, the highest since November 2020, after having dropped in February briefly, thanks to the Draghi effect, close to 90 basis points, the lowest since March 2015.

The increase in yields on the Italian secondary market was reflected in a fall in Italian government bond prices, as measured by the Bloomberg Euro Aggregate Treasury Italy Index, which fell by 3.0% in 2021. Even worse performed the sovereign bonds of the Eurozone countries, whose index (Bloomberg Euro Aggregate Treasury Index) even showed a decrease of 3.5%, while the corporate bonds denominated in euro with investment grade rating contained the decrease to 1.0% (Bloomberg Euro Aggregate Corporate Bond Index). At the same time, corporate bonds with a non-investment grade rating (the so-called high yield bonds) instead recorded an increase of 3.4% (Bloomberg Euro High Yield Index), having benefited for most of the year from the desperate search for yield from investors, as well as the improvement in company fundamentals thanks to the strong economic recovery underway. The yield difference (spread) of corporate bonds with investment grade rating compared to government bonds, on the other hand, remained little changed at 95 basis points (+3 basis points compared to the end of 2020), after however falling temporarily to 82 basis points in June, hitting the lowest level since March 2018. On the other hand, the spread of high yield bonds stood at 312 basis points at the end of 2021 (-31 basis points compared to the end of 2020), after having dropped briefly in September to 273 basis points, updating the minimum since February 2018. Both the spread of corporate bonds with investment grade ratings and that of high yield bonds at the end of 2021 are still well below the average value observed in the last 15 years, equal to 152 basis points and 517 basis points respectively.

Stock markets

In 2021 the upward trend of the main international indices continued, with the exception however, of the stock exchanges of emerging countries, and in particular of Chinese equities. The latter were penalised by regulatory interventions by the Chinese government, especially in the technology sector, as well as by the liquidity crisis in the real estate sector which led, among other things, to the default of China Evergrande. Many international indices updated their respective all-time or multi-year highs during the year. The prices were supported by an overall still very favourable context, characterised by a strong rebound in earnings after the collapse of 2020, as well as by a monetary policy that remained extremely accommodating and by a substantial absence of investment alternatives (summarised with the acronym TINA - "there is no alternative").

The MSCI World index, the barometer that measures the performance of the shares of the world's most important companies, rose in 2021 by 22.5% in local currency and even by 29% in euro (thanks to the simultaneous weakening of the single currency), updating the all-time highs after having already ended 2020 up by 12% in local currency and 5% in euros. This is the third consecutive year of increase. Wall Street performed even better, with the S&P 500, the index that measures the performance of the shares of the 500 most important US companies, up by 26.9% (and +36.2% in euro). European equities, on the other hand, were up by only 22.2% (STOXX Europe 600). The S&P 500 and STOXX Europe 600 also hit new all-time highs during the year. On the other hand, the performance of the MSCI EM index was disappointing, the barometer that represents the trend of the broad and varied universe of the stock markets of emerging countries, which after a sharply rising start to the year gradually lost ground, ending 2021 with fall of 2.3% in local currency, while in euro the rise amounts to just 2.4%. Chinese shares (MSCI China) performed even worse, leaving 22.7% in local currency (-17.1% in euro) on the field. Finally, as regards Milan, the FTSE MIB, the index of the 40 most important shares in Piazza Affari, ended the year up by 23.0%, reaching in November close to 28 thousand points, the highest since September 2008. The VSTOXX, the index that measures the implied volatility of the EuroSTOXX 50 (index which includes the shares of the 50 most important companies in the Eurozone), fluctuated in 2021 between 15 and 33, a very low level when compared to the peak close to 95 reached in March 2020, at the beginning of the coronavirus pandemic. The performance of VIX, the index that measures the implied volatility of the S&P 500, was similar, which fluctuated for most of the year in a range between 15 and 32. In 2020, however, the VIX had gone beyond 85.

Forex

The euro weakened against its main counterparties during 2021, as evidenced by the nominal effective exchange rate that measures its performance against the currencies of the 19 major trading partners of the Eurozone, which slipped by as much as 5.2%, at its lowest since February 2020, after still appreciating by 5.4% in 2020. During the year, the single currency was particularly affected by the confirmation of the ultra-accommodative monetary policy by the European Central Bank. The euro depreciated by 9.4% against the Chinese renminbi, by 6.9% against the US dollar and by 6.0% against the British pound. At the same time, however, the single currency strengthened by 3.8% against the Japanese yen. However, the US dollar was also supported by the rise in US Treasury yields, in turn linked to expectations of a more rapid normalisation of monetary policy in the United States against the Eurozone in an attempt to counter the surge in inflation, which has risen to 7.0% in December, a level not reached since June 1982. The euro ended 2021 at USD 1.1370 (from USD 1.2217 at the end of 2020), after briefly falling to USD 1.1186 in November, the lowest since July 2020. The British pound, on the other hand, appreciated above all in the first three months of the year, benefiting both from the conclusion of the process linked to Brexit and the announcement of the Agreement on trade and cooperation between the European Union and the United Kingdom, and from the progress of the vaccination campaign in the United Kingdom and therefore of the hope of a faster reopening of the economy compared to continental Europe. In the last few months of the year, however, the British pound was also supported by expectations for a rate hike by the Bank of England (BoE). On 16 December, the BoE, the first central bank of the G7 countries, started the process of normalising monetary policy, raising rates by 15 basis points to 0.25%.

2.6 The credit system

Dynamics of bank lending

In December 2021, loans to businesses and households increased by 2.5% compared to a year ago. This evidence emerges from the estimates based on data published by the Bank of Italy, relating to loans to businesses

and households (calculated including securitised loans and net of changes in stocks not related to transactions, e.g. changes due to exchange rate fluctuations, value adjustments or reclassifications).

In November 2021, loans to businesses recorded an increase of 0.4% year-on-year. The increase was 3.8% for loans to households.

Interest rates on loans

In December 2021, interest rates on lending transactions are at particularly low levels and recorded the following trends:

• the average rate on total loans amounts to 2.16% (2.17% the previous month and 6.18% before the crisis, at the end of 2007);

• the average rate on new home purchase transactions is 1.40% (1.44% for the previous month, 5.72% at the end of 2007);

• the average rate on new loans to businesses is 1.29% (1.09% the previous month; 5.48% at the end of 2007).

Credit quality

Net bad loans (i.e. net of write-downs and provisions already made by banks with their own resources) in November 2021 were Euro 17.6 billion, an increase compared to Euro 16.7 billion in October 2021 and Euro 15.4 billion in September 2021. On the contrary, bad loans are down compared to a year earlier, when they recorded Euro 23.5 billion in November 2020 (Euro -5.9 billion equal to -25.1%) and Euro 29.3 billion in November 2019 (Euro -11.7 billion equal to -39.9%).

Compared to the maximum level of net bad loans, reached in November 2015 (88.8 billion), the reduction is over 71.2 billion (-80.1%).

The ratio of net bad loans to total loans amounts to 1.02% in November 2021 (it was 0.89% in September 2021, 0.97% in October 2021, 1.35% in November 2020, 1.69% in November 2019, and 4.89% in November 2015).

Dynamics of customer funding

In Italy, in December 2021, the trend in total funding (deposits from resident customers and bonds) was up by +5.4% year-on-year. Deposits (current accounts, certificates of deposit, repurchase agreements) increased in the same month by more than Euro 114 billion compared to a year earlier (+6.6% year-on-year), while medium and long-term funding, i.e. through bonds, fell by around Euro 9.6 billion in absolute value over the last 12 months (-4.4%).

Interest rates on funding

In December 2021, the average interest rate on total bank funding from customers (sum of deposits, bonds and repurchase agreements in euro to households and non-financial companies) was 0.45% in Italy, (the same value in the previous month) on account of:

• the rate applied on deposits (current accounts, savings deposits and certificates of deposit), 0.31% (the same value in the previous month);

• the repo rate, which stood at 0.70% (1.23% the previous month);

• the yield on outstanding bonds, 1.75%.

Margin between lending rate and funding rate

The spread between the average rate on loans and the average rate on funding to households and non-financial companies in Italy remains at particularly low levels, amounting to 171 basis points in December 2021 (172 basis points in the previous month), down sharply from over 300 basis points before the financial crisis (335 basis points at the end of 2007).

3. THE GROUP'S POSITION

The year 2021 was still a year fully characterised by the manifestation of the effects of the COVID-19 pandemic, effects that for some sectors were found to be very impactful, with the economy that was further put to the test. The apparent return to normality of summer and the first part of autumn was followed by a last part of the year with a sudden increase in infections, which caused repercussions on various sectors of the economy, primarily on the tourism sector. In a year, therefore, still influenced by these effects, the Cassa di Risparmio di Bolzano Group managed to achieve the best result in its history, significantly increasing its performance, especially in the commercial sphere.

The excellent result achieved is reflected in the net profit, which reached Euro 72.6 million, up 140% compared to the previous year (Euro 30.3 million).

The focus on risk reduction is constant, with the indicator measuring the riskiness of the loan portfolio reaching a gross level of 3.9%, which net of allocations corresponds to a value of 1.3%, a further clear improvement compared to the 2020 values of 5.3% and 1.8% respectively. The 2021 ratios, accompanied by the record percentage of hedges generated by allocations that reach 67.5%, place the Parent Bank at the highest levels in the Italian banking system and further consolidate the basis for containing exposure to future risks.

In terms of solidity, all capital indicators were up compared to the previous year with the CET1 ratio at 14.86%, up compared to 13.83% in 2020 (both indicators are represented in the IFRS 9 phased-in configuration). The good level of capitalisation will allow the Group to further develop its activities thanks to the capital surplus of 7.86% compared to the minimum capital requirements.

The excellent performance of the 2021 income statement is the result of a mix of factors that allowed revenues to grow in all segments, with the Interest income up by 7.2% and the Income from services reaching the record figure of Euro 94.0 million (+13.1%). The contribution of the financial segment was excellent, with a positive result of Euro 28.0 million (Euro +6.5 million in 2020). The presence in the financial margin of a non-recurring component equal to Euro 18.6 million gross linked to the sale of debt securities of the held-to-collect portfolio, always in any case carried out in compliance with the provisions of the IFRS 9 accounting standard in terms of turnover of the portfolio itself and the number of instruments sold, as well as their overall value within the thresholds defined by the accounting policies.

The cost of credit risk is lower than the previous year, settling at Euro -12.7 million on the cash loans component, while for the endorsement loan component there was a positive effect equal to Euro +1.9 million, the result of write-backs determined following the updating of the macroeconomic scenarios in the model for calculating expected losses.

Operating costs recorded an increase of +4.5% to Euro 165.4 million, due to investments linked to a series of projects and initiatives that will allow the Group to maintain and possibly increase the levels of efficiency and competitiveness.

As a result of the positive trend between costs and revenues, the Cost-Income-Ratio efficiency indicator is strongly improving (56.4% against 64.8% in 2020).

With regard to the evolution of assets under management, it is worthwhile to emphasise the constant growth in the total volume of performing loans to customers, which stood at Euro 6.391 billion at the end of 2021 (+4.2% compared to 2020), confirming the maximum effort made by the Parent Bank to also support the territories during this very difficult year, the second to be influenced by the effects of the epidemic. New mortgage loans during the year amounted to Euro 1,175 million, of which Euro 828 in favour of businesses, and Euro 347 million in favour of households. Of these mortgages, around Euro 370 million are represented by COVID loans granted to customers who were able to obtain them benefiting from advantageous interest rates and with the government guarantee.

Direct funding represented by current accounts, deposits and bonds reached Euro 7.8 billion (+11.6% compared to 2020 without considering MTS repo transactions). The growth, which has been constant in recent years, testifies to the confidence of customers in the Parent Bank. Assets under management, which can be considered one of the main parameters for an advisory bank and refers to the volumes of customer savings in investment funds, reached a record level of Euro 2.134 billion, up by 18.6% compared to 2020. These values once again confirm the growing interest of customers in specialised asset management activities.

The overall results of the 2021 financial year, never obtained before in the history of the Bank, are confirmation of the excellent work carried out in the course of a complex financial year, still conditioned by the persistence of the COVID-19 pandemic, which erupted in 2020 and of which to date future developments are not precisely known, although a certain optimism prevails in the light of recent trends. This demonstrates how the Group has the ability to develop and consolidate a relationship of trust with its customers with the possibility of diversifying the range of services offered with increasing success. Further significant growth in the stock of assets under management in 2021 underlines a very clear strategy of competitive positioning in the specific market sector of high value-added services.

The constant commitment to risk containment remains a priority, as confirmed by the values of the ratios relating to non-performing loans and the level of their coverage, which is one of the highest in the Italian banking system.

The Sparkasse Group concludes the 2019/2021 period with the achievement of Euro 132.2 million in profits and after having distributed a total dividend of Euro 27.2 million.

The results achieved in these three years are the best prerequisite for the implementation of the takeover bids announced on 9 December 2021 and aimed at acquiring control of CiviBank. It should be noted that the necessary authorisation requests have been submitted to the competent authorities (ECB/Bank of Italy and the Italian Antitrust Authority - AGCM). The AGCM communicated its authorisation on 19 January 2022; subject to obtaining the authorisation from the ECB/Bank of Italy and the subsequent approval of the offer document by Consob, the period of acceptance of the offers may begin, with the hope of being able to complete the transaction in the second quarter of 2022. It should be remembered that following the acquisition of control over the Friulian bank, the new group will be the most important local banking group based in the north east. The new dimension will make it possible to achieve important economies of scale and the creation of industrial synergies that will strengthen the two banks.

3.1 Operating performance and consolidated income statement

The main changes in the Group's income statement were on the most part positive during the period compared to the previous one and are shown below.

There has been a further substantial increase in the Net interest income compared to 31 December 2020, mainly due to the maintenance of interest expense at the same level as the previous year and the increased interest income, to which both the increase in the stock of loans, and the good performance of the securities portfolio, as well as the remuneration of the ECB's TLTRO III loans obtained by the Parent Bank contributed.

With regard to fee and commission income, a record result was achieved, further increasing the already excellent result of 2020 (Euro +10.3 million). Details of the main deviations of the sub-items with respect to the previous period are provided. Please keep in mind that with the 7th update of Bank of Italy Circular no. 262, the explanatory notes relating to the income from services have been entirely revised with respect to the previous version and have been aligned with the FINREP disclosure. In detail:

- commissions connected with activities linked to financial instruments recorded an increase of Euro 2.6 million;
- a commission for investment consultancy was included, thanks to the start-up by the Parent Bank of a new platform dedicated to investments (Sparkasse 360) for a total of Euro 1.9 million;
- commissions on payment services increased by Euro 2.5 million compared to 2020, the year in which the sector was heavily affected by the lockdown effect linked to the COVID-19 pandemic;
- commissions on the distribution of third party services which, as a positive consequence of the increase in volumes of indirect funding both in the assets under management and insurance sectors, reached the level of Euro 19.3 million compared to Euro 16.8 million in 2020 (Euro +2.5 million).

The commissions collected for structured finance transactions (Euro +0.3 million), financial guarantees issued (Euro +0.6 million) and the negotiation of currencies (Euro +0.1 million) recorded lower, albeit still strong, increases compared to the levels in the previous year.

"Commission expense" decreased compared to the previous year (Euro -0.6 thousand), mainly due to the reduction in commission expense paid for financial guarantees received (Euro -262 thousand) which in 2020 had recorded a peak linked to FCG guarantees issued by the Ministry of Economic Development to guarantee the loans granted by the Parent Bank to SMEs.

Dividends received recorded a decrease of approximately Euro 0.6 million compared to 2020, the year in which the Parent Bank had collected the dividend from the investment in Cedacri S.p.A., which had in the meantime been sold.

The "Net profit (loss) from trading" shows a performance of Euro 1.5 million, a much better result than Euro 629 thousand in the previous year. The better result in 2021 is mainly attributable to higher profits on trading financial derivatives and to a lesser extent to exchange rate differentials.

The "Net profit (loss) from hedging" returns to the positive field, going from Euro -490 thousand at the end of 2020, to Euro +785 thousand at the end of 2021. This result is correlated to the fair value of the interest rate risk hedging derivatives on a portfolio of fixed-rate mortgages hedged under a macrohedging regime.

The result of the item relating to gains/losses on disposal or repurchase was up, especially with reference to financial assets measured at amortised cost. The overall result of item 100, positive for Euro 28.9 million, is decidedly better than that of 2020, equal to Euro 9.3 million, against some disposals of the securities portfolio classified as held to collect to not be consider as a recurring item, as already specified above, as well as from some sales of non-performing loans.

On the other hand, the "Net income from other financial assets and liabilities measured at fair value through profit or loss" is broadly in line with the previous year, recording a loss of Euro 4,090 thousand, compared to the loss of Euro 4.3 million in 2020. The negative result for 2021 is attributable almost exclusively to the value adjustments recognised with reference to the real estate fund sector.

Net value adjustments for credit risk decreased compared to the result of the previous year and stood at Euro 12.7 million. The macroeconomic scenarios included in the expected credit losses calculation model, updated to the most recent economic/financial situation, have a positive impact on this result.

"Administrative expenses" grew by 5.5%, from Euro 158.4 million in the year 2020 to Euro 167.1 million in 2021. The disaggregated figure shows an increase of 3.8% in personnel expenses (Euro 3.4 million), while "Other administrative expenses" grew by 7.6% as a result of costs incurred for investments and activities of strategic importance for the Group's future. In addition, measures to contain and manage the effects of the lock-down and the pandemic crisis led to additional costs for the Group, mainly related to individual protection measures and the implementation of remote working methods. Contributions to the banking system relating to the Crisis Resolution and Deposit Guarantee Funds also increased further, reaching Euro 12.4 million at the end of 2021.

"Net provisions for risks and charges" amounted to Euro 316 thousand, a sharp decrease compared to 2020, in which they amounted to Euro 7.9 million against allocations for risks and charges related to the Parent Bank's business. The 2021 result also benefits from write-backs for a total of Euro 1.9 million on allocations on commitments and guarantees issued.

Items 210 and 220 "Net value adjustments/write-backs to property, plant and equipment and intangible assets" amounted to Euro 12.3 million and Euro 3.7 million, respectively. Item 210 is slightly above the 2020 values, while item 220 grows by 56% against the start of the amortisation period of the important investments in technology and software made in the previous and current year.

The item "Other operating expenses/income" amounted to Euro 17.6 million, an increase compared to Euro 13.8 million in 2020; this growth (Euro 3.8 million) is generated almost exclusively by the payment of Euro 3 million at the end of the liability action that the Parent Bank had with the previous management and which closed in the final part of 2021.

Finally, the tax allocation amounts to Euro 20.3 million, up 30% compared to the 2020 value (Euro 15.6 million) due to the higher gross profit generated by the Group, and due to the realignment operation for tax purposes, of the higher values recorded in the financial statements with reference to properties owned, pursuant to Article 110, paragraph 8, Law 104/2020 (so-called August Decree Law) of the subsidiary Sparim.

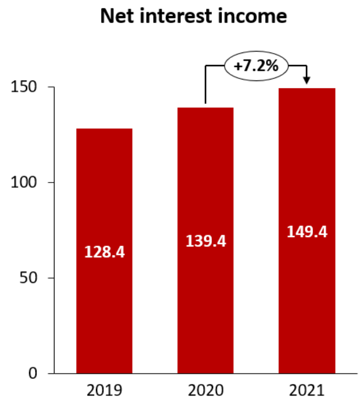
Overall earnings per share for 2021 amounted to Euro 1.21, against Euro 0.50 in the previous year.

The reclassified income statement figures compared with those of the previous year show the following situation:

	RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in millions of euro)	31/12/2021	31/12/2020	Change Absolute	Change %
30.	**Net interest income**	**149.4**	**139.4**	**10.0**	**7.2%**
10.	Interest income and similar revenues	164.3	153.9	10.4	6.8%
20.	Interest expense and similar charges	(14.9)	(14.5)	(0.4)	3.0%
	- of which interest expense on financial payables for leases (IFRS 16)	*(0.3)*	*(0.4)*	*0.0*	*-8.9%*
120.	**Financial margin**	**28.0**	**6.5**	**21.4**	**327.0%**
70.	Dividends and similar income	0.8	1.5	(0.6)	-42.5%
80.	Net profit (loss) from trading	1.5	0.6	0.9	139.3%
90.	Net profit (loss) from hedging	0.8	(0.5)	1.3	-
100.	Gains (losses) on disposal or repurchase of:	28.9	9.3	19.6	211.7%
	a) financial assets measured at amortised cost	28.4	9.1	19.4	213.5%
	b) financial assets measured at fair value through other comprehensive income	0.5	0.4	0.1	34.8%
	c) financial liabilities	(0.0)	(0.2)	0.2	-97.4%
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	(4.1)	(4.3)	0.2	-5.5%
	a) financial assets and liabilities designated at fair value	0.5	0.5	0.0	9.6%
	b) other financial assets mandatorily measured at fair value	(4.6)	(4.8)	0.2	-4.0%
60.	**Income from services**	**94.0**	**83.1**	**10.9**	**13.1%**
40.	Fee and commission income	97.7	87.4	10.3	11.8%
50.	Fee and commission expense	(3.7)	(4.3)	0.6	-14.6%
150.	**Gross contribution margin**	**271.3**	**229.0**	**42.3**	**18.5%**
190.	Administrative expenses:	(167.1)	(158.4)	(8.7)	5.5%
	a) personnel expenses	(91.8)	(88.4)	(3.4)	3.8%
	b) other administrative expenses	(75.3)	(70.0)	(5.3)	7.6%
	- of which real estate payments (IFRS 16 Leases)	*(0.4)*	*(0.4)*	*0.0*	*-0.5%*
210.+220.	Amortisation and depreciation	(15.9)	(13.7)	(2.2)	16.2%
	- of which depreciation on rights of use acquired through leases (IFRS 16)	*(3.9)*	*(3.9)*	*(0.1)*	*1.3%*
230.	Other operating income/expenses	17.6	13.8	3.8	27.4%
	Net operating costs	**(165.4)**	**(158.2)**	**(7.1)**	**4.5%**
	Gross operating result	**105.9**	**70.8**	**35.2**	**49.7%**
130.	Net value adjustments/write-backs for credit risk relating to:	(12.7)	(14.5)	1.8	-12.6%
	a) financial assets measured at amortised cost	(12.6)	(14.9)	2.3	-15.1%
	b) financial assets measured at fair value through other comprehensive income	(0.1)	0.4	(0.4)	-114.7%
140.	Gains/losses from contractual amendments without cancellations	(0.1)	(0.0)	(0.0)	80.0%
200.	Net allocations to provisions for risks and charges	(0.3)	(7.9)	7.6	-96.0%
	a) commitments and guarantees issued	2.0	(1.4)	3.4	-235.9%
	b) other net allocations	(2.3)	(6.5)	4.2	-65.2%
	Net operating result	**92.9**	**48.3**	**44.6**	**92.4%**
250.	Gains (losses) on equity investments	0.4	0.0	0.4	0.0%
260.	Net result from fair value measurement of property, plant and equipment and intangible assets	(2.4)	(2.2)	(0.3)	0.0%
270.	Value adjustments to goodwill	0.0	0.0	0.0	0.0%
280.	Gains (losses) from disposal of investments	2.4	0.0	2.4	0.0%
290.	**Gross profit / (Gross loss)**	**93.3**	**46.2**	47.1	102.0%
300.	Income taxes for the year on current operations	(20.3)	(15.6)	(4.7)	30.2%
320.	Profit (loss) from discontinued operations after taxes	(0.4)	(0.3)	(0.1)	38.4%
340.	Profit (loss) for the year attributable to minority interests	0.0	0.0	0.0	-
350.	**Profit (loss) for the period**	**72.6**	**30.3**	**42.3**	**139.6%**

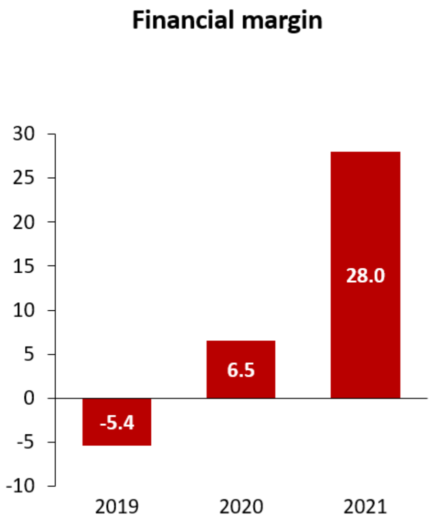
The changes in the various items are described in more detail below.

Net interest income



The net interest income grew by Euro 10.0 million compared to the figure at 31 December 2020 (+7.2%), thanks to the substantial contribution of interest on the TLTRO II and III transactions in which the Parent Bank participated. In the course of 2021, due to the change in the parameters of the TLTRO III operations made by the Governing Council of the ECB, the Parent Bank was able to increase its participation in these refinancing operations reaching a total amount of Euro 2,150 million from 1,950 million up to that moment drawn. In the second half of 2021, the Parent Bank also accepted the early redemption options of three tranches and participated in subsequent auctions, keeping the subscribed amount unchanged, but extending the original duration of the first auctions by one year. The total contribution to the net interest income for the year 2021 of these transactions amounts to Euro 17.3 million. An excellent contribution to the net interest income was also generated by the coupons accrued and collected with reference to the assets of owned securities, also thanks to the favourable trend of inflation to which the yields of some types of government securities in the portfolio are linked. Interest expense, on the other hand, remains substantially on the same values as the previous year. Starting from 2019, following the introduction of the accounting standard IFRS 16 "Leases", the component relating to the notional cost of the financial lease payable, equal, for 2021, to Euro 351 thousand, is recognised under interest expense.

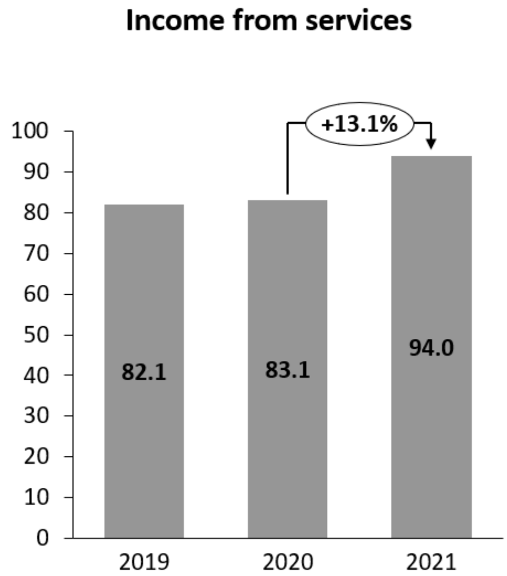
Financial margin



The financial margin in 2021 recorded a result above the most optimistic expectations, reaching Euro 28.0 million. This performance is also linked to the presence of some components to be considered non-recurring, such as the profits from the sale of some financial instruments of the held to collect portfolio, realised compatibly with the turnover thresholds of the portfolio itself and the relevance in terms of significance and number envisaged for the held to collect business model by the IFRS9 accounting standard (approximately Euro 18.6 million). The result also benefits from the positive effect in terms of write-backs following the sale of some individual positions of non-performing loans (approximately Euro 9.8 million).

On the contrary, there were, as in previous years, significant losses in value on the item "Net income from other financial assets and liabilities measured at fair value through profit or loss - financial assets mandatorily measured at fair value", whose negative performance was Euro -4.6 million.

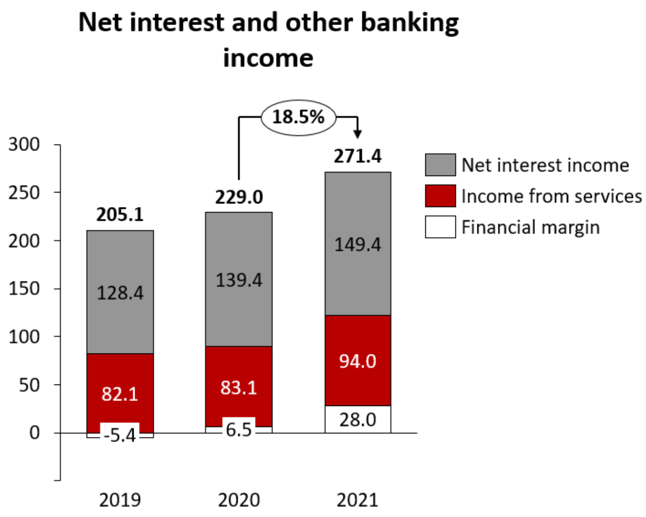
Income from services



The income from services reached the highest value ever recorded, growing by 13.1% in 2021 and reaching Euro 94 million compared to the already excellent result of the previous two years. Commission expense also has a positive impact, reducing by Euro 627 thousand.

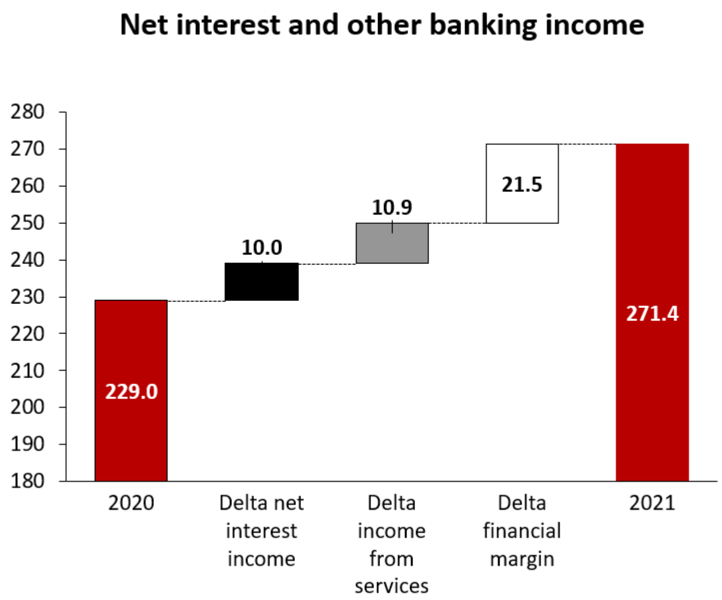
The result confirms and demonstrates the ability of the Sparkasse Group to provide its customers with increasing professionalism in a relationship of increasing trust by successfully offering them specialist consultancy services, particularly in the assets under management and insurance sectors. The assets under management sector continues to be the driving force, with commissions recording further growth also thanks to the excellent performance recorded in the placement of new products. The new investment consultancy platform (Sparkasse 360) made an important contribution, contributing to the final result with Euro 1.9 million. Double-digit growth also for commissions on collection and payment services, which after the 2020 decline caused by the lockdown effect linked to the COVID-19 pandemic, grew by a total of Euro 2.5 million.

Net interest and other banking income

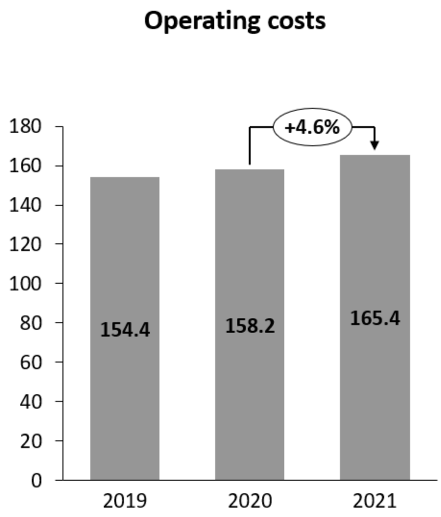


Net interest and other banking income grew significantly compared to the previous year thanks to the performance of all three of its components, which showed significant improvements as described in detail above. The overall increase was +18.5% compared to 2020.

The breakdown of the change in net interest and other banking income is shown in the table below.



Net operating costs



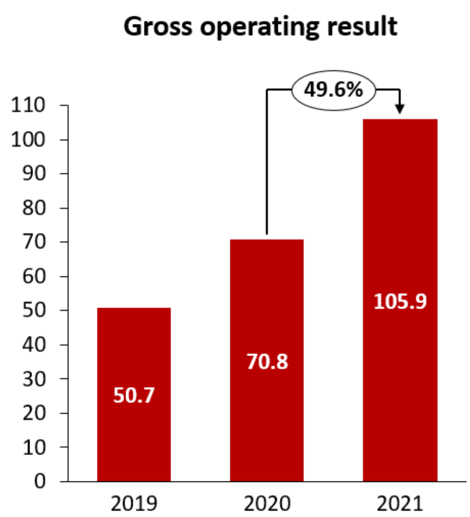
From the comparison with the previous year, the item "Administrative expenses" shows a figure relating to personnel expenses which increased by Euro 3.4 million, mainly due to the contractual increases in the National Collective Labour Agreement and, to a lesser extent, by the increase in FTE that occurred in the course of 2021. The figure for "Other administrative expenses" in turn shows an increase of Euro 5.3 million (+7.6%), attributable to the higher costs associated with new projects in the technological field and to major investments made with a view to further efficient improvements and developments.

With reference to the items "Net value adjustments/write-backs to property, plant and equipment and intangible assets", there was a slight increase compared to the 2020 figure as regards depreciation of tangible assets, while adjustments on intangible assets increased significantly, with Euro +1.3 million, against the important investments mentioned above, and for which the amortisation process has begun.

The item "Other operating expenses/income", which stood at Euro 17,612 thousand, up by Euro 3,792 thousand, was positively influenced by the conclusion of a settlement agreement relating to the liability action against former Directors, former Statutory Auditors and former General Manager, with the payment to the Parent Bank of an amount equal to Euro 3 million.

Contributions to the banking system paid by the Sparkasse Group relating to the Crisis Resolution and Deposit Guarantee Funds increased further, reaching an amount of Euro 12.4 million.

Gross operating result

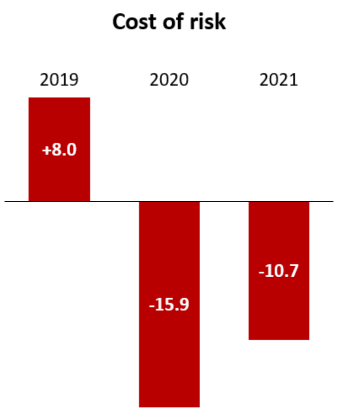


The gross operating result for the year 2021 amounted to Euro 105.9 million, recording an increase of +49.6% compared to the figure for the previous year and reaching a value that is unprecedented in the history of the Group. The result achieved represents the sum of the performances achieved with reference to the various aggregate figures of the income statement, which are commented on above.

Cost of risk

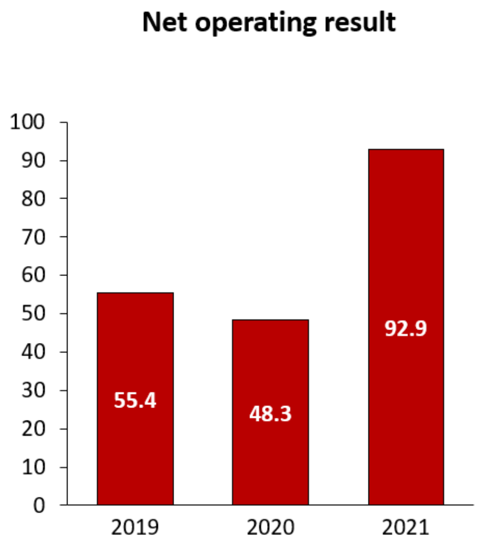
Compared to the previous year, negatively impacted by the outbreak of the COVID-19 pandemic, in 2021 the cost of risk was reduced also thanks to the new and more positive macroeconomic scenarios present in the models for evaluating expected losses. Allocations amounted to Euro 10.7 million, against Euro 15.9 million at the end of 2020. Although no longer represented in item 130 of the income statement, following the introduction of IFRS 9 from 01.01.2018, net value adjustments/write-backs on endorsement loans, which are allocated to item 200 a) "Net allocations to provisions for risks: commitments and guarantees issued", fall within the following graphic representation.

The indicator that measures the riskiness of the non-performing loan portfolio reached the gross level of 3.9% which, net of allocations, corresponds to a value of 1.3%. In 2020, the two indices stood at 5.3% and 1.8% respectively. The 2021 values, accompanied by the high level of coverage of non-performing loans generated by allocations that cover risks at 67.5%, place the Group at the best levels in the Italian banking system and further consolidate the basis for reducing exposure to future risks.

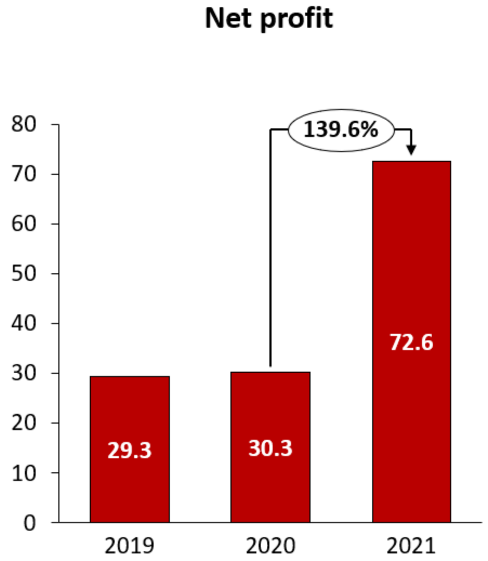


Net operating result

As a result of the various trends described above, the net operating result was a positive Euro 92.9 million.

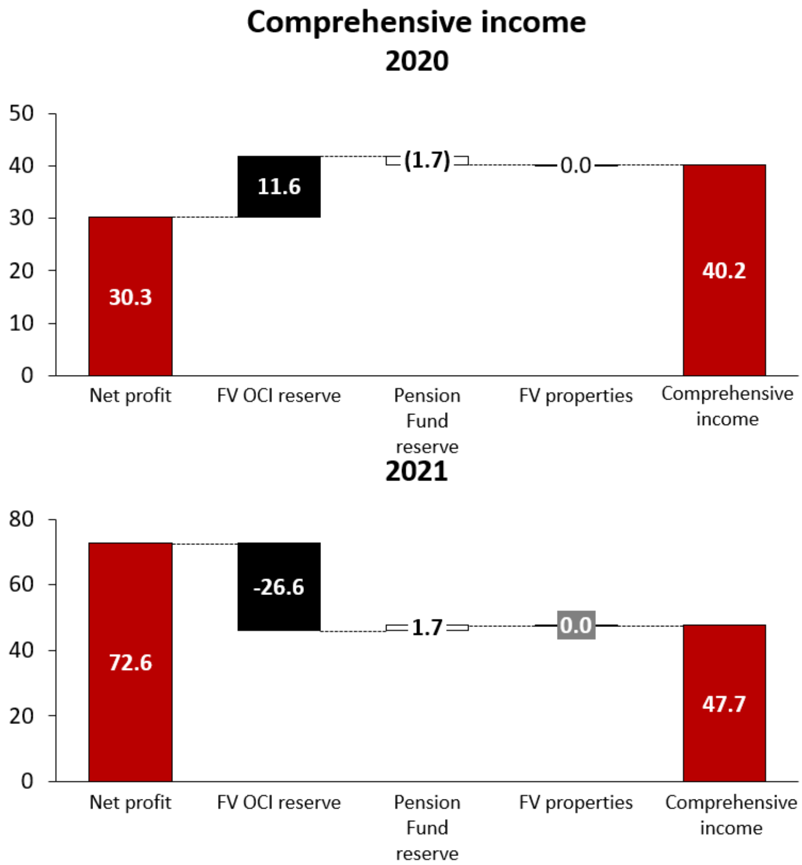


Net profit



The net profit for the year pertaining to the Parent Bank amounted to Euro +72.6 million compared to the net profit of Euro 30.3 million recorded in 2020. The result represents the best performance in the history of the Group.

Comprehensive income

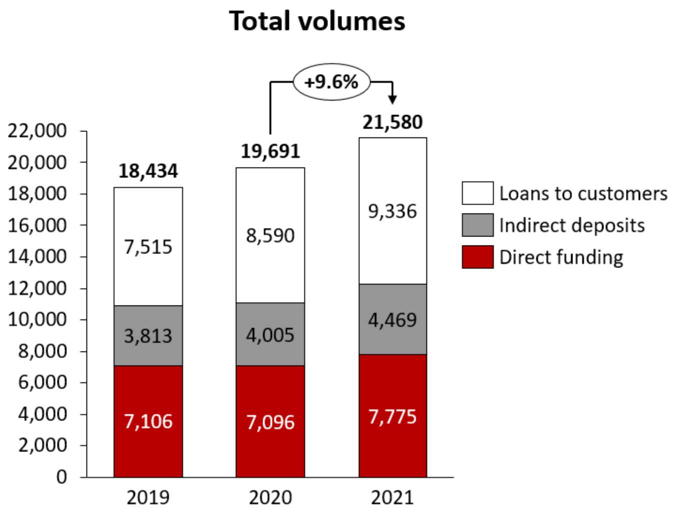


Comprehensive income at 31 December 2021 shows a positive result of Euro 47.7 million (Euro +40.2 million in 2020), an amount that includes, in addition to the net result for the period, also the positive changes in "Financial assets (other than equity securities) measured at fair value through other comprehensive income" (Euro -0.7 million), the result of "Equity securities designated at fair value through other comprehensive income" (Euro -25.9 million) and the adjustment of the actuarial reserve of the internal pension fund, with reference to the so-called "defined benefits" Sections, equal to Euro +1.7 million (positive). The result of the item "Equity securities designated at fair value through other comprehensive income" is negative, but in fact represents the reversal from the valuation reserve to the profit reserve following the sale of the investment in Cedacri with reference to which there were positive valuation reserves recorded in previous years. All components are recognised net of the related tax effect.

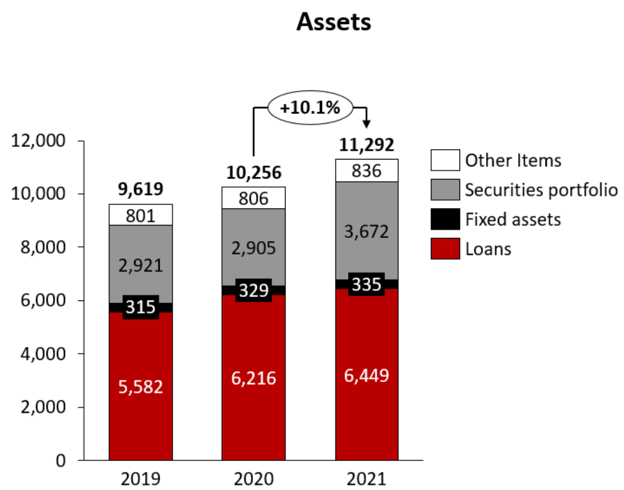
3.2 Performance of consolidated balance sheet aggregates

Total volumes and balance sheet assets

The total volumes of the Group, compared to the same figure of the previous year, recorded a consistent increase of 9.6%. Loans to customers increased by Euro 746 million; direct funding increased by Euro 679 million which became 807 net of the classic Repo operations carried out by the Parent Bank on the MTS platform; the Parent Bank had outstanding transactions for Euro 128 million at the end of 2020 while at the end of 2021 there were none. Direct funding benefits from the recognition in this item, starting from 2019, on the basis of the new rules of accounting standard IFRS 16, of financial payables relating to rental/lease contracts. Indirect funding grew further, especially in the assets under the management segment.



The Group's assets are presented as shown in the table below.

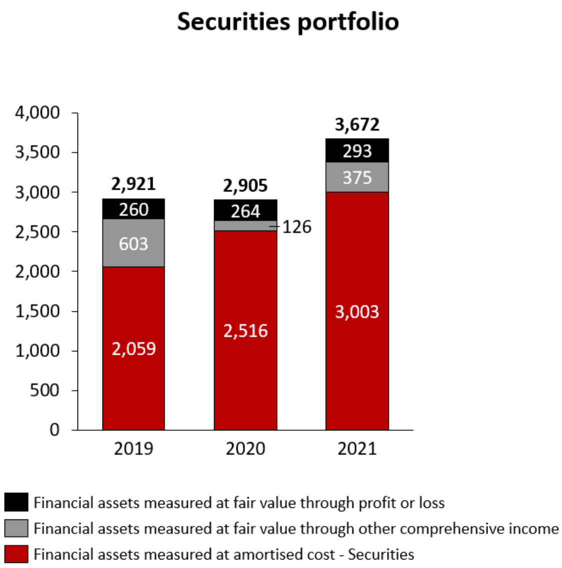


The Group's total assets amounted to Euro 11,292 million, an increase of 10.1% compared to the previous year.

The loan component amounted to approximately 57% of the total, the securities portfolio to 33%.

Securities portfolio

The size of the securities portfolio recorded an important increase compared to the values in the previous year, amounting to Euro 3,672 million.



The size of the securities portfolio has risen sharply compared to the figures of the previous year. This is essentially due to the increase in available liquidity following the increases in the amount of funding from customers and central banks. During the year, however, the size of the securities portfolio has also been subject to changes, even considerable. In fact, in the period of greatest rate hike, mid-April - mid-May and October 2021, the amount of stocks increased significantly. In fact, in the period from the beginning of October to the beginning of November alone, around Euro 750 million were invested in bonds. On the other hand, between the end of May and the beginning of June, volumes underwent a significant decline in light of the decision to take a profit. In this period, approximately Euro 520 million of government bonds were sold with the aim of repositioning the maturities of the portfolio from 2023 to 2024, in line with the repayment of the new tranches of the TLTRO-III loan. Overall, the net result achieved (taking into account the sales made in May/June 2021 and the purchases made in October/November 2021), was very satisfactory, as it was possible to reinvest the liquidity at higher market yields compared to those relating to securities previously held.

As in previous years, also during 2021 the Parent Bank's liquidity reserves were invested mainly in short and medium-term Italian Government bonds, thus combining the need to hold Government bonds for a significant amount with the objective of an adequate return, in a context of low/negative rates. In light of the non-short/very short residual life at the time of purchase, a very large part of the bond portfolio is classified according to the "held to collect" business model.

This capital allocation, in addition to complying with the Basel III criteria on liquidity reserves, was expected in line with the market risk profile defined by the Group as part of the risk appetite framework, defined on a daily basis in terms of Var (value at risk).

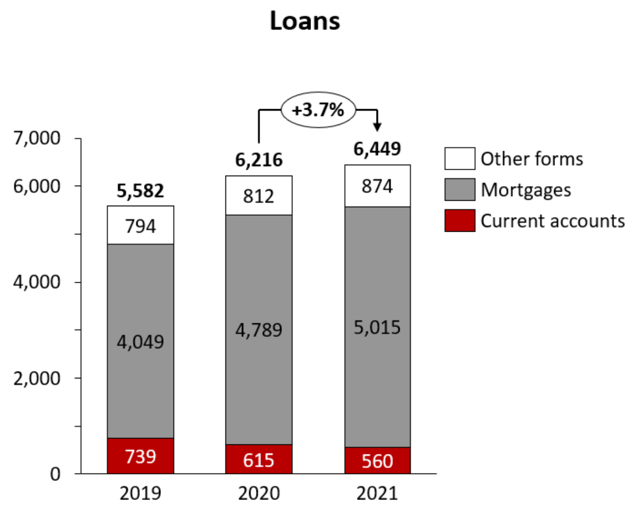
The duration of the portfolio remained substantially stable, year on year.

The overall performance of the investments made turned out to be largely positive and the financial year ended with a result beyond the most optimistic expectations.

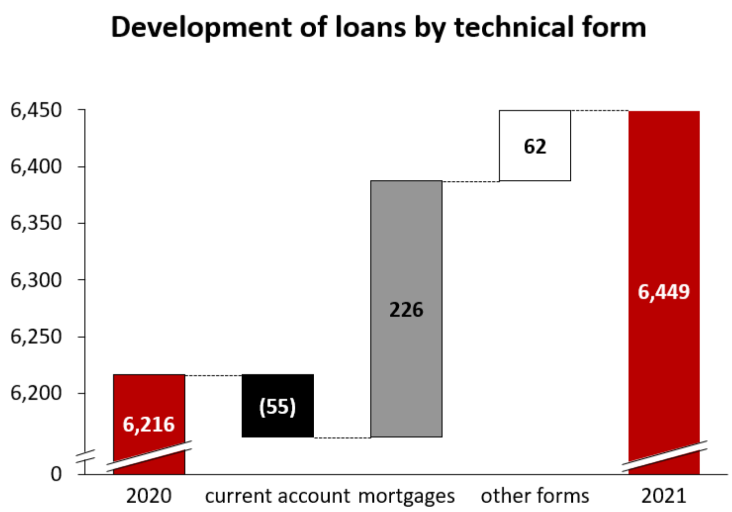
Loans

It should be noted that the figure for loans to customers does not coincide with the figure for the financial statements item "Assets measured at amortised cost: loans to customers", due to the presence in the item of the financial assets at amortised cost held by the Parent Bank, classified as debt securities, excluding those issued by banks.

Net loans to customers amounted to Euro 6,449 million (gross loans of Euro 6,649 million, against which adjustments of Euro 200 million have been made), up by Euro 233 million compared to the previous year.



The increase in the stock of loans demonstrates the Parent Bank's ability and willingness to be an important reference point in support of the development of the economy and of the demand for credit in the private sector. Sparkasse continues with determination its growth path in the disbursement of medium/long-term loans to businesses and households, with an increase of 26.8% compared to 2020. New mortgage loans during the year amounted to Euro 1,175 million, of which Euro 828 million in favour of businesses, and Euro 347 million in favour of households.

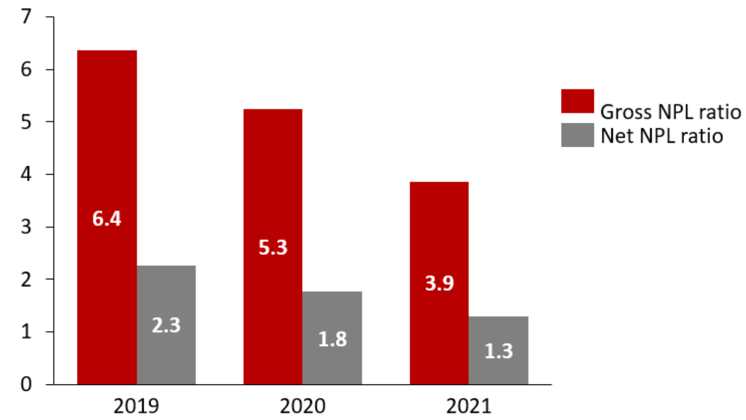


The growth in net loans concerns both the mortgage segment (Euro +226 million) and the one which has other technical forms (Euro +62 million) There was a decrease in stocks relating to loans and cash elasticities granted in the current account (Euro -55 million). The figures include the reduction in the value of impaired positions, net of write-downs.

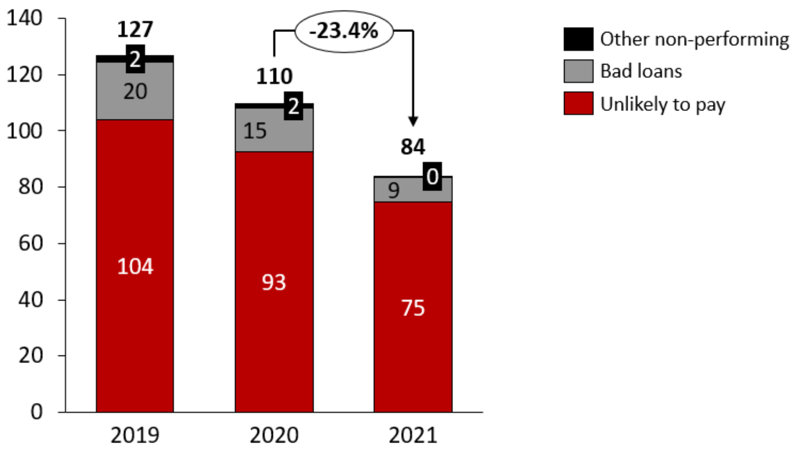
With reference to the degree of intermediation, or the ratio between loans to customers and customer funding, the index stands at 83.01% (2020 figure equal to 89.29%).

Non-performing loans

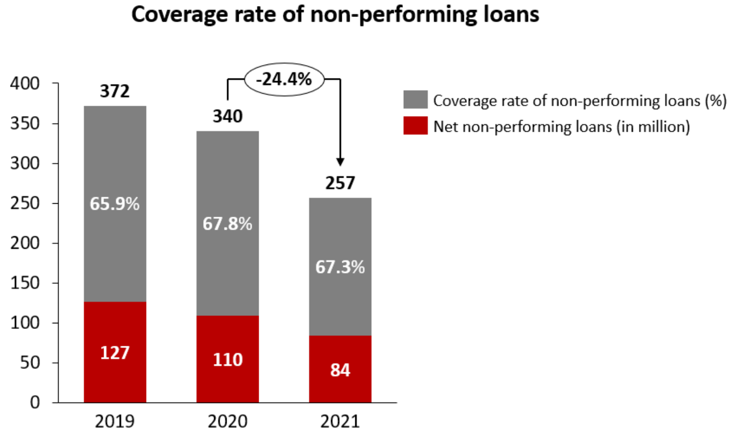
Net non-performing loans amounted to Euro 84.0 million (gross non-performing loans equal to Euro 257.2 million against which adjustments of Euro 173.2 million have been set aside), a significant reduction compared to the amount at the end of 2020 of Euro 109.5 million. The result achieved in 2021 allows the indicator that measures the riskiness of the loan portfolio to reach a gross level of 3.9%, which, net of allocations, corresponds to a value of 1.3%. The Group thus ranks among the highest level in the Italian banking system and consolidates the basis for reducing exposure to future risks.



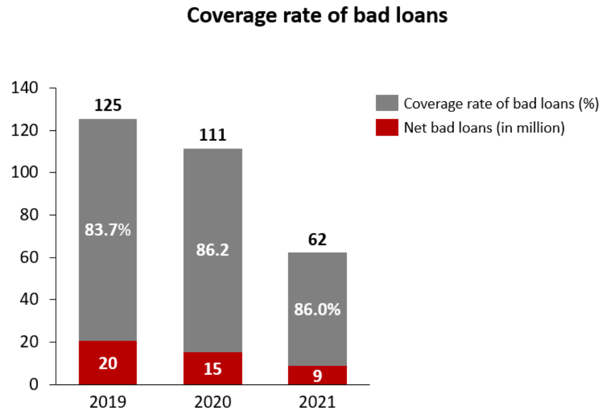
Net non-performing loans

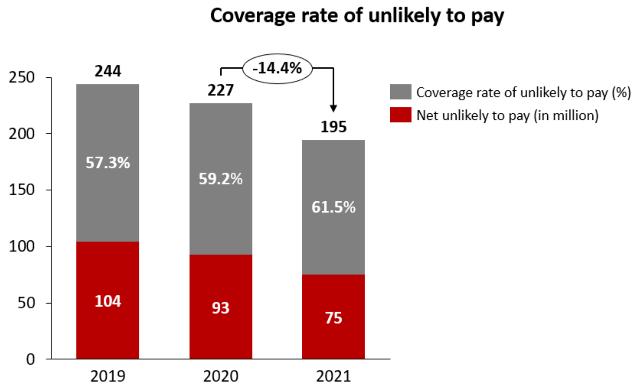


Thanks to its careful management, in 2021 the Group recorded a further decrease in the volumes of non-performing loans following the recoveries/extinctions and to some disposals of individual positions.



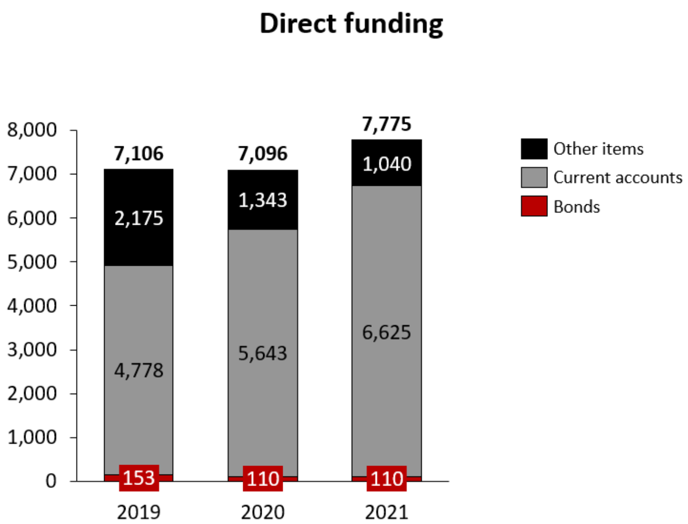
The coverage levels of non-performing loans were at the end of 2021 on the same levels of excellence achieved in 2020, with a value of 67.3%.





Direct funding

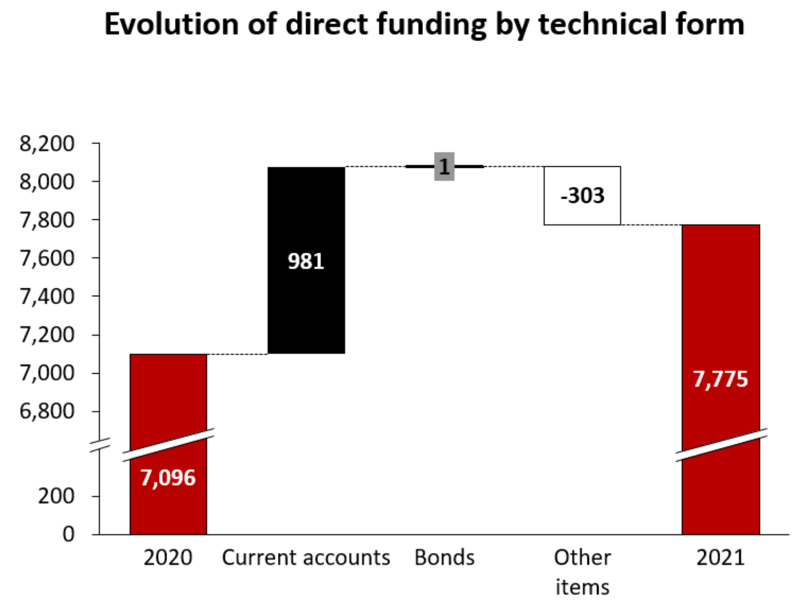
Direct funding recorded a considerable increase of Euro 679 million; this value, net of the transactions carried out by the Bank in classic Repo on MTS, which at the end of 2020 amounted to Euro 128 million with zero volumes at the end of 2021, increases to Euro 807 million (+11.6%). The trend in direct funding also confirmed the increasing trust that customers show towards the Parent Bank in a context that places Sparkasse among the Banks that have been able to create a strong bond with customers.



The majority of the funding structure is represented by amounts related to those due to customers for current account deposits of Euro 6,625 million, while bond issues of the Parent Bank remain stationary at Euro 110 million, the same value of the previous year, and the other items amount to Euro 1,040 million.

Among the "Other items", the most significant products are represented by term deposits (Euro 769 million).

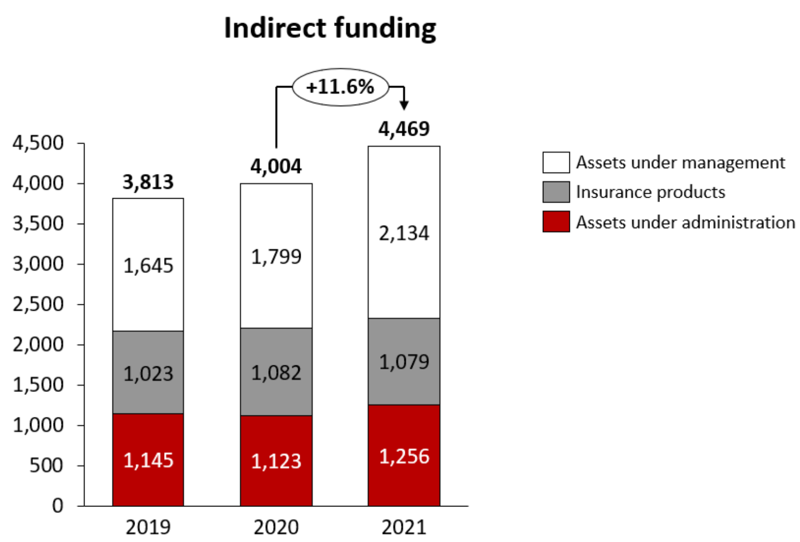
In 2021, based on the rules of IFRS 16, financial payables relating to rental/lease agreements were also recognised for Euro 21.8 million.



Indirect funding

Indirect funding amounted to Euro 4,469 million, a significant increase (+11.6%) compared to the previous year. The increase is attributable to the excellent performance of the indirect funding segment considered valuable, i.e. assets under management, which increased by Euro 335 million. Insurance savings, also important in the contribution to the commission margin, remained close to last year's levels.

Nonetheless, the figure for administered savings records satisfactory growth (Euro +133 million).



Shareholders' equity

Due to both the positive effect of the 2021 result and the change in profit reserves, consolidated shareholders' equity amounted to Euro 869.5 million, compared to Euro 782.2 million at the end of 2020.

In the same period, "Consolidated own funds" increased from Euro 831.2 million to Euro 891.5 million.

Against risk-weighted assets of Euro 5.5 billion, thanks to the optimisation of RWAs implemented by the Group to contain capital absorption, the capital ratios stood at:

- Common Equity Tier 1 ratio: 14.86%
- Tier 1 capital ratio: 15.68%
- Total capital ratio: 16.09%

recording values well above the minimum requirements.

Please note that, as a result of the option exercised for the application of the provided for transitional regime, the rules on regulatory phase-in are applied.

In this regard, reference should be made to the information provided above and to the detailed analysis in the section "Share capital and Liquidity" and in Part F of the Notes to the Financial Statements.

4. THE GOVERNANCE SYSTEM

4.1 Report on corporate governance and ownership structures

As required by Art. 123-bis, paragraph 2, letter b) of the Consolidated Finance Act, this section sets out the main characteristics of the internal control and risk management system in relation to the financial reporting process.
The legal and supervisory provisions, in particular on corporate governance, establish that the internal control system (*set of rules, functions, structures, resources, processes and procedures*) is a fundamental element of the overall system of governance of banks, which must guarantee, in particular, the achievement of strategic objectives and corporate policies, the containment of risks, the effectiveness and efficiency of business processes, the reliability and security of company information and IT procedures, compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and procedures, in addition to the prevention of the risk of the bank being involved in any unlawful activities.
Taking into account the aforementioned objectives, the Bank, also in its capacity as Parent Bank of the "Cassa di Risparmio di Bolzano" Banking Group, has defined a **corporate organisational model** for the Group as a whole and for the individual components of the Group, aimed at enabling the continuous implementation of the applicable legal and supervisory provisions. The Bank has set up a **system of internal controls and risk management** aimed at identifying, measuring, managing and monitoring the risks of the Bank and the Group on a continuous basis, which involves the Corporate bodies, the company's internal control functions as well as the Supervisory Body pursuant to Legislative Decree no. 231/2001, whose functions have been assigned to the Board of Statutory Auditors; the company appointed to perform the statutory audit of the accounts also participates in the control system.
In this logic, the overall activities that the Group and its members are required to carry out to achieve their management objectives in compliance with legal and supervisory provisions and, therefore, with a view to sound and prudent management, are broken down into "areas", which group together sets of "processes".
Each process is divided into "phases" and each phase into "sub-phases/activities" to be put in place for carrying out the phase itself. Therefore, for each sub-phase/activity, the obligations to be respected (summary of the relevant provisions) and the main "actions" to be implemented for the actual application of the obligations are regulated. This makes it possible to identify, for each legal and supervisory provision in force or issued from time to time, the specific activities applicable to the Group and its members, as well as to refer these activities to the relevant processes.
In this set up, the **corporate organisational system** was defined based on a review project launched in 2020 and updated during 2021, on three levels of taxonomy:

- Level 0: divided into 3 Areas;

- Level 1: divided into 10 Sectors;
- Level 2: which includes 73 processes;

and by the Regulation of Management Bodies and Committees as well as by the Company's General Regulation.

4.2 Organisational and governance, management and control system

The corporate organisational system governs the processes that define the organisational model adopted, the role of the Corporate bodies, the delegated powers structure, the management information flows and the role of the Bank's members, the operational/management and risk governance and management processes, as well as the control processes set forth in the supervisory provisions.

Therefore, the processes, which are also exercised for the control of risks related to financial reporting, have been regulated in the "Governance and Risk Management" Area, for the purpose of ensuring a concrete and correct performance of the corporate processes.

The Group process also governs the Group controls, i.e. the criteria to be adopted and the activities to be carried out by the Parent Bank in order to perform the controls required by the supervisory provisions on the internal control system as well as by the operational and management requirements of the members of the Group and the Group as a whole.

4.3 System for the measurement/assessment of risks and the self-assessment of capital adequacy and liquidity.

As part of its management and coordination activities, the Parent Bank has equipped the Group as a whole and in its individual components with an Internal Capital Adequacy Assessment Process - ICAAP and an Internal Liquidity Adequacy Assessment Process - ILAAP.

The ICAAP and ILAAP must be coordinated, responsive and consistent with the Risk Appetite Framework (RAF). The Supervisory Body is responsible for supervising the conditions of stability, efficiency, sound and prudent management of the banks and for verifying the reliability and consistency of the results of their internal assessments (so-called "Supervisory Review and Evaluation Process" - SREP), in order to adopt, if the situation requires it, the appropriate corrective measures.

Respectively, the ICAAP and ILAAP processes are based on suitable corporate risk management systems and require adequate corporate governance measures, an organisational structure with well-defined lines of responsibility and effective internal control systems.

The responsibility for the processes lies with the Corporate bodies, which define their structure and organisation in full autonomy according to their respective competencies and prerogatives. They oversee the implementation and promote the updating of the ICAAP and ILAAP processes, in order to ensure their continuous compliance with the operational characteristics and the strategic context in which the Banking Group operates.

The results of the ICAAP and ILAAP processes are summarised in the related ICAAP-ILAAP Report, which represents the point of convergence and synthesis of the capital, economic and financial planning of risk management, capital management and liquidity management and which, on the other hand, constitutes an important tool to support the strategic development and implementation of Group decisions.

The ICAAP process is divided into the following phases:

- identification of the risks to be assessed through the definition of the risk map;
- measurement/assessment of individual risks and related internal capital;
- measurement of total internal capital;
- determination of internal capital and reconciliation with regulatory capital;
- self-assessment of capital adequacy;
- self-assessment of the ICAAP process;
- preparation and approval of the ICAAP - ILAAP Report.

The ILAAP process is divided into the following phases:

- definition of the ILAAP;
- liquidity risk assessment;
- self-assessment of the liquidity risk governance and management system;
- self-assessment of liquidity adequacy;
- audits carried out on the ILAAP process;
- preparation and approval of the ICAAP - ILAAP Report.

For further information on qualitative and quantitative information on risks, as well as on management, measurement and control systems, please refer to the "Notes to the Financial Statements - Part E - Information on risks and related hedging policies".

4.4 Disclosure on internal policies adopted with regard to controls on risk activities and conflicts of interest with respect to associated parties

In compliance with the prudential supervisory provisions of the Bank of Italy on associated parties and the Consob Regulation on related party transactions (Circular no. 285 of 17 December 2013, Part III, Chap. 11, 33rd update, risk activities and conflicts of interest with regard to associated parties and Consob resolution no. 17221 of 12/03/2010 and subsequent amendments), the Parent Bank adopted the Regulation "Associated parties", which governs the criteria to be followed and the activities to be carried out for the management of risk and conflict of interest with respect to associated parties. In particular, the decision-making procedures for transactions with associated parties are governed (these include identification of transactions, adoption of procedures for the management of transactions, resolution of minor and major significance, transactions falling within the competence of the Shareholders' Meeting, exemptions and derogations for certain categories of transactions).

Therefore, on the basis of the corporate organisational system, the management of risks concerning transactions with associated parties is carried out through a number of connected processes representing the relative organisational controls. In summary:

a) in the Regulations of the Board of Directors, the Board of Statutory Auditors and the Chief Executive Officer and General Manager, who govern the role of the related corporate body and therefore also in relation to the "associated parties" process;
b) in the "Associated parties" Group Regulation, which governs the criteria to be followed and the activities to be carried out for the management of risk and conflict of interest with respect to associated parties;
c) in the Risk Management Regulations, which govern the profiles of the related risks (broken down into the phases of identification, measurement, monitoring, prevention/mitigation as well as reporting and communication);
d) in the General Company Regulation, which govern the roles and responsibilities of the organisational units responsible for the "Associated parties" process, in compliance with the principle of clear distinction between operating units and control units;
e) in the "Group Process" Regulation, which governs the criteria to be adopted and the activities to be carried out for the coordination and management of both the Group's members and the investees, also with reference to transactions with associated parties;
f) in the Operating Regulation relating to associated parties, which governs the steps to be taken in dealing with associated parties and specifies the operating procedures to be adopted for the management of transactions with associated parties;
g) in the Power Delegation Group Regulation, which governs the criteria to be adopted and the activities to be carried out in order to reach the assignment by the Board of Directors/Chief Executive Officer of the power delegation in the various business matters;
h) in the "Information Flows" Policy, which governs the reports to be sent to the Board of Directors and the Board of Statutory Auditors, including those on associated parties;
i) in the respective regulations for the different types of control (line control, compliance control, risk management control, Internal Audit activities, Group controls), which govern the criteria to be adopted and the various activities to be carried out. In summary:
   - the organisational units responsible for the aforementioned processes indicate the activities carried out in the processes with respect to the planned ones (first-level controls) and forward these indications to the Compliance function and the Internal Audit function;

- the Compliance function carries out its controls (second-level controls) in accordance with the Group Regulation "Process for controlling non-compliance risk" and in the Policy "Compliance model and assessment of the risk of non-compliance". In particular, the Compliance function verifies the consistency of the regulations of the aforementioned processes with the supervisory provisions on associated parties (so-called regulatory or ex ante compliance); on the basis of the indications of the activities carried out in the processes, provided by the responsible units, it determines the deviation between the activities carried out and the activities provided for by the Supervisory Provisions and, on the basis of the aforementioned deviation, it formulates an organisational risk assessment of the operational compliance of the aforementioned processes (so-called operational compliance). The results of the controls are forwarded to the Corporate bodies, to the Internal Audit function and to the Risk Management function, together with proposals for action to be taken to remove any shortcomings that may have emerged;
- the Risk Management function carries out its controls (second-level controls) in accordance with the provisions of the "Risk Management Function" Group Regulation. In particular, the function measures the risks and proposes the limits in line with the strategies and submits for approval the same limits to the competent bodies. The results of the controls are transmitted to the Corporate bodies, the Compliance function and the Internal Audit function;
- the Internal Audit function carries out its controls (third-level controls) according to the "Internal Audit" Group Regulation, supplemented by the new Internal Audit framework as resolved on by the Board of Directors on 6 December 2016. In particular, the function verifies compliance with internal policies on associated parties and the adequacy of the first- and second-level controls carried out on the aforementioned processes. In addition, the Internal Audit function periodically reports to the Corporate bodies on the overall exposure to risks deriving from transactions with associated parties and other conflicts of interest, if necessary it suggests revisions of internal policies and of the organisational and control structures deemed suitable to strengthen the monitoring of these risks;
- the aforementioned functions also carry out the controls described above on the other members of the Group in accordance with the "Group Process" Regulation.

In conclusion, the management of the risk of conflicts of interest with regard to associated parties is governed by the set of processes referred to above and by the IT procedures used to support the activities, by the "Associated Parties" Regulation, as well as by the related Operating Regulation.

4.5 Administrative liability (Italian Legislative Decree no. 231 of 8 June 2001)

With reference to the administrative liability of companies, the Parent Bank has made available on its website www.sparkasse.it the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, the Code of Ethics and the Code of Conduct, in particular for parties outside the Bank's organisation who, limited to the provision of goods or services governed by independent and separate contracts, are required to comply with the provisions contained therein.

The Supervisory Body, established pursuant to Legislative Decree 231/2001 and whose powers have been transferred to the Board of Statutory Auditors, has constantly checked the adequacy of the Model, also in relation to the new regulations that took place during the year, reporting on its own activities to the Board of Directors.

4.6 Intra-group transactions and transactions with associated parties

As required by Art. 4 of Consob Regulation no. 17221 (as amended) and the Supervisory Provisions for banks (Circular 285/2013, Part III, Chapter 11), the Parent Bank has prepared and published the "Associated Parties" Group Regulation on its website www.sparkasse.it.

Intra-group transactions and transactions with associated parties were carried out on the basis of assessments of mutual economic convenience and, in any case, at conditions consistent with market conditions.

For more details, please refer to Part H of the Financial Statements.

4.7 Privacy, security and environment

As required by the applicable legislation, by the provisions of the "Regulation (EU) 2016/679" (General Data Protection Regulation, known as "GDPR") and by the provisions of the Prudential supervision for banks, also in 2021 the necessary activities were carried out to analyse the effectiveness of and alignment with the security measures put in place to protect data and minimise risks.

The Parent Bank, which is duly committed to environmental issues, to separate waste collection, to the progressive adoption of equipment and lighting systems with low energy consumption as well as to paperless working processes, has nothing to report in relation to any damage caused to the environment, nor to any sanctions or penalties imposed for environmental crimes or damage.

5. SHARE CAPITAL AND LIQUIDITY

5.1 Consolidated own funds and capital ratios

On 1 January 2014, the new harmonised regulations for banks and investment companies contained in Regulation (EU) no. 575 (CRR - Capital Requirements Regulation) of 26.06.2013 and in Directive (EU) no. 36 (CRD IV - Capital Requirements Directive) of 26.06.2013 which transpose in the European Union the standards defined by the Basel Committee for banking supervision (known as Basel 3) entered into force.

As part of a complex process of reviewing the supervisory regulations of banks, the Bank of Italy issued Circular no. 285 "Supervisory provisions for banks" of 17 December 2013, which almost entirely replaces Circular no. 263/2006, and with which:

- the national options set out in the CRR were exercised,
- the secondary technical provisions of CRD IV were transposed.

On the same date, the Bank of Italy also issued Circular no. 286 "Instructions for the compilation of prudential reports for banks and real estate brokerage companies" which replaces Circular no. 155/1991 and defines the reporting formats:

- of "harmonised" prudential supervisory reports in compliance with the relevant EBA technical standards: own funds, credit and counterparty risk, market risk, operational risk, large exposures, recognition of mortgage losses, overall capital position, liquidity monitoring and financial leverage;
- of "non-harmonised" prudential supervisory reports: related parties.

On 7 October 2016, the 18th update of the "supervisory provisions for banks" pursuant to Circular no. 285 of 17 December 2013 was published on the official website of the Bank of Italy itself.

The above-mentioned update concerned the amendment of the capital conservation buffer (CCB) requirement set forth in Part One, Title II, Chapter I, Section II of the Circular in question in order to transpose the provisions contained in the EU Directive no. 36/2013 (CRD IV) as well as to reduce the divergences between national regulations, in line with the action initiated by the Single Supervisory Mechanism (SSM) to minimize the differences in the prudential regulations applicable to banks.

This regulatory measure provides that banks, at both individual and consolidated level, are required to apply a minimum capital buffer ratio of:

- 1.25% from 1 January 2017 to 31 December 2017;
- 1.875% from 1 January 2018 to 31 December 2018;
- 2.5% from 1 January 2019.

This update entered into force on 1 January 2017.

The following table shows the consolidated "Own funds" at 31 December 2021 compared with those at 31 December 2020.

	31.12.2021	31.12.2020
A. Common Equity Tier 1 (CET1) before the application of prudential filters	801,360	724,423
of which CET1 instruments subject to transitional provisions		
B. Prudential filters of CET1 (+/-)	(699)	334
C. CET1 gross of the elements to be deducted and the effects of the transitional regime (A+/-B)	800,660	724,757
D. Elements to be deducted off CET1	(8,799)	(6,743)
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	31,633	44,430
F. Total Common Equity Tier 1 capital (CET1) (C-D +/-E)	**823,494**	**762,443**
G. Additional Tier 1 (AT1) gross of the elements to be deducted and the effects of the transitional regime	45,200	45,200
of which AT1 instruments subject to transitional provisions		
H. Elements to be deducted off AT1		
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to transitional provisions		
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**45,200**	**45,200**
M. Tier 2 capital (T2) gross of the elements to be deducted and the effects of the transitional regime	22,783	23,545
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted off T2		
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to transitional provisions		
P. Total Tier 2 capital (T2) (M - N +/- O)	22,783	**23,545**
Q. Total own funds (F + L + P)	**891,477**	**831,188**

The capital ratios are at the levels indicated in the following table:

Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	14.86%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	15.68%
Total own funds/Risk-weighted assets (Total capital ratio)	16.09%

The minimum capital ratios to be complied with for 2021, pursuant to Art. 92 CRR, are therefore the following:

- Common Equity Tier 1 capital ratio (CET1 ratio) of 4.5% + 2.5% of the Capital Conservation Buffer (CCB)
- Tier 1 capital ratio of 6.0% + 2.5% of CCB
- Total capital ratio of 8% + 2.5% of CCB.

On 29 March 2021, the Bank of Italy informed the Cassa di Risparmio di Bolzano Group that, taking into account the overall assessment elements available to the Supervisory Authority on the business situation of the banking group, it decided not to adopt a new capital decision as a result of the 2020 SREP cycle.

Therefore, the notification of the decision on the minimum prudential requirements to be complied with on a consolidated basis for the year 2020, which was received on 23.03.2020 from the Bank of Italy at the end of the annual Supervisory Review and Evaluation Process (SREP), remains valid.

In particular, the Cassa di Risparmio di Bolzano Group will be required to continuously comply with the following capital requirements at consolidated level, without prejudice to compliance with the minimum capital requirement set forth in Art. 92 of Regulation (EU) no. 575/2013:

- Common Equity Tier 1 capital ratio (CET 1 ratio) of **7.45%**, consisting of a binding measure of 4.95% (of which 4.50% against the minimum regulatory requirements and 0.45% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;
- Tier 1 capital ratio (Tier 1 ratio) of **9.10%**, consisting of a binding measure of 6.60% (of which 6.00% against minimum regulatory requirements and 0.60% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;
- Total capital ratio of **11.30%**, consisting of a binding measure of 8.80% (of which 8.00% against the minimum regulatory requirements and 0.80% against the additional requirements determined as a result of the SREP) and the remainder of the capital conservation buffer.

These capital ratios correspond to the "overall capital requirements ratios", as defined by the EBA/GL/2014/13 Guidelines.

As a result of the entry into force of IFRS 9, a revision of the prudential rules (CRD/CRR) for the calculation of capital absorption was also envisaged. In this regard, Regulation (EU) 2017/2395 published on 27 December 2017 envisages, as an option, the possibility for financial institutions to adopt a transitional regime where they can reinstate to CET1 the adjustments resulting from the adoption of the impairment model of the new standard, with a "phase-in" mechanism over a period of 5 years starting from 2018; the Bank has adopted the transitional regime (static approach) to measure the impacts of the new standard on regulatory capital. The option for the transitional regime sets forth that the higher allocations deriving from the first application of the standard, net of the tax effect, are excluded from the calculation of prudential requirements, according to a decreasing weighting factor (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022).

With reference to 31 December 2021, it should be noted that the non-application of the transitional regime envisaged by Art. 473-bis of Regulation (EU) no. 575/2013, would have led to a (negative) impact of -54 bps on CET 1.

It should also be noted that the Sparkasse Group, on 10 December 2020, forwarded a specific request to the Bank of Italy aimed at obtaining authorisation for the full application of the transitional provisions on IFRS 9 provided for in Art. 473-bis of Regulation (EU) 575/2013 (CRR), as amended by Regulation (EU) 873/2020 of 24 June 2020. Specifically, the authorisation concerns the application of the transitional regime on expected credit losses calculated in accordance with IFRS 9.

By means of a provision of 23 December 2020, the Bank of Italy authorised the Cassa di Risparmio di Bolzano Group to fully apply the above provisions on a separate and consolidated basis.

5.2 Shares of the Parent Bank Cassa di Risparmio

In this regard, please refer to the Report on Operations of the Parent Bank's financial statements.

5.3 Liquidity

Liquidity ratios

As part of the Basel III framework, the Supervisory Authorities have introduced liquidity requirements that require banks to maintain a minimum level of liquidity to deal with stress situations and ensure a balanced relationship between stable funding sources and loans. For short-term liquidity, the "Liquidity Coverage Ratio" (LCR) indicator was introduced with the objective of establishing a liquidity buffer that allows the Parent Bank to survive for a period of 30 days in the case of severe stress. In 2021, this indicator for Cassa di Risparmio was always well above the minimum binding requirement (equal to 100%). In terms of structural liquidity, the Basel III agreements set forth the "Net Stable Funding Ratio" (NSFR), with a time horizon of more than one year, to ensure that assets and liabilities have a sustainable maturity structure. With Regulation (EU) no.

2019/876 (CRR2), the NSFR regulatory requirement was introduced which provides for the mandatory compliance with the minimum threshold of 100% starting from 30/06/2021. In 2021, the NSFR indicator was well above the minimum binding requirement.

The Board of Directors has defined, within the Risk Appetite Framework, as risk objectives for liquidity in addition to the LCR and NSFR indicators, also the degree of intermediation (ratio between loans to customers and customer funding) and the Asset Encumbrance Ratio.

LCR	NSFR	Degree of intermediation	Asset Encumbrance Ratio
196.11%	125.34%	83.01%	26.10%

Liquidity management

In 2021, the Parent Bank maintained a liquidity position that was considerably higher than the regulatory limits. In addition to the deposits of private and corporate customers, which represent the most important part of its direct funding, the Parent Bank has also activated, i.e. optimised, additional liquidity supply channels, the most important of these is the one referring to the European Central Bank's TLTRO-III auctions. More precisely, following the decision of the Governing Council of the European Central Bank of 10 December 2020 to conduct three additional TLTRO-III operations between June and December 2021 and, in addition, to increase the maximum obtainable loan from 50% to 55% of the stock of additional loans, the Bank considered it appropriate to review the TLTRO-III financing plan. In fact, the Bank increased the total amount of TLTRO-III loans from Euro 1,950 million to Euro 2,150 million and made a partial early repayment of the existing loans in order to participate in the additional loans and extend the duration of the financing. In this regard, the Bank participated in the additional financing operation in June for an amount equal to Euro 200 million and, in addition, it repaid in September, in advance, the loan drawn in June 2020 for an amount equal to Euro 700 million and in December the loans drawn in September and December 2020 for a total amount of Euro 770 million. The loans repaid in advance were drawn from scratch, respectively in September and December, thus benefiting, among other things, from the extension of the duration until September 2024, that is, until December 2024.

As regards the Munich branch, work has begun to carry out, that is, strengthen the collection activity on the German market by joining the "Weltsparen" platform managed by Raisin DS GmbH, the leader in the sector. The closing of the works and the go-live on this platform is expected by the first quarter of 2022.

In 2021, in line with the provisions of the 2021-2023 Business Plan, certain initiatives were launched aimed at providing the Bank with institutional funding instruments which will be expected to be completed in the first half of 2022 and which will be able to further diversify their sources of funding.

The Parent Bank has exploited, as far as possible and especially in the first months of the year, the opportunities offered by the so-called "tiering", or the possibility of making profits on interest rates by entering into short and very short-term repo transactions on the MTS Repo market, since the banks' cash balances with the ECB up to an amount currently equal to 6 times the minimum compulsory reserve are remunerated at a rate of 0%, while funding operations on the interbank market exhibit negative rates. In addition to the operations described, repo/reverse repo operations were also carried out, again with the aim of making profits on interest rates. With this type of transaction, a so-called "special" security, that is, sought by a market counterparty is transferred for a certain period of time to the same through the stipulation of a repo transaction and the liquidity received is invested, again through a repo operation with the same duration, in another title. The interest rate received by the Bank as part of the transaction described is higher than the interest rate paid by the Bank.

6. INFORMATION BY BUSINESS AREAS

6.1 Territorial network

The 2021 financial year was characterised by the persistent COVID-19 health emergency, with the financial and insurance consultancy activities continuing remotely.

The decision of the Parent Bank was to take all steps to ensure that this negative situation would allow Sparkasse to evolve into an even more modern bank, able to respond better to the changing needs of customers with proactive and multi-channel approach.

A great deal of energy was expended by the branches and the units in the head office to ensure that customers received a prompt and effective response to their credit needs, consultancy services in the field of investments, insurance and other products and services that the Parent Bank offers.

In the course of 2021, some preparatory activities were carried out by the Retail Service to prepare the banking structure of the Parent Bank for the impacts expected in the course of 2022 by the new Business Plan. These activities were developed taking into due consideration the changed needs and habits of customers, therefore the consultancy service was also extended to the afternoon hours and the logistical restructuring plan of the Parent Bank's branches continued according to the concept "look ahead", which sees the customer at the centre also in terms of physical spaces within the branches. With this in mind, three territorial flagship branches and two country branches have been included in the 2021 restructuring plan: the branch in via Roma in Bolzano, the branch in Corso Perlar in Verona, the branch in Egna, Sarentino, and Corvara in Badia.

2021 saw the executive launch of the Virtual Consultancy project with the establishment of a new Business Unit designed to remotely manage the assistance and commercial development relationship of private customers through a multiplicity of remote touchpoints that can be used by customers, such as telephone, e-mail, online forms, webchat, and video calls.

The project was developed with a view to increasing the banking service in omnichannel mode, carrying out entirely digitally a perimeter of sales and post-sales processes of the Parent Bank so as to allow the customer to benefit even remotely, from a "human" Bank-Customer contact. The ultimate goal is to guarantee an excellent assistance, sales, and after-sales service to all customers and to actively reach the "digital and non-active in branch" customer bases, becoming their reference, as well as making available to digital native customers the possibility of using a channel entirely dedicated to the relationship and commercial management of remote customers.

Taking into account the importance of these developments with a view to digitising banking processes (with a consequent impact on the competitiveness of the Parent Bank in the reference market) the remote electronic signature solution integrated into the new internet banking services portal "ON" (desktop and mobile app) was implemented. This evolution also saw the introduction, in the last months of 2021, of the "advanced assistance" component through a remote customer recognition system integrated into the mobile app of the Parent Bank; the management of outbound commercial activities towards a defined perimeter of customers not assigned to consultants and with characteristics of predisposition to digitisation aimed at the remote proposal and underwriting of banking products; as well as the integration of the webchat touchpoint. By the first quarter of 2022, the remote investment consultancy activity on a specific customer cluster and the management of video calls in embedded mode to the Online Banking applications will be integrated into the Virtual Business Unit.

All remote interaction developments have been reported within the scope of the Bank's Online Banking application, achieving the goal of providing the customer with a single, complete and versatile application while ensuring the customer greater confidence in the certainty of interaction with staff and official applications of the Parent Bank, thus limiting the risks of system phishing.

The Virtual Consultancy project made it possible to greatly accelerate the digitisation process of the Parent Bank and the technological and process developments implemented or planned were made available to the entire commercial network.

As part of the implementation of the 2021-2023 Strategic Business Plan, the Business Service was launched in June 2021, a function of supervision and coordination of the five Business Areas with the aim of redesigning the objectives of the same and pursuing with even greater force the will to focus the work on the result and the speed of response to customers.

The Business structure dedicated to supporting SMEs in the territories where the Parent Bank operates has demonstrated its ability to be close to customers in a very particular historical moment and to proactively offer valid solutions in response to the current emergency period. Corporate clients were offered a 360° consultancy that covered and satisfied the different areas of need (financing and investment needs, risk management and protection, and international trade).

The insurance offer was also at the centre of the consultancy in 2021, in fact in order to meet the insurance coverage needs of corporate customers, a project was launched during the year to add an insurance specialist of the partner Net Insurance to work alongside with the Business Consultant.

Furthermore, a commercial evolution programme was launched aimed at maximising the potential of the customer base, building purer portfolios of dimensions consistent with the market and assigning them to the most suitable skills.

Finally, in order to enhance the role of the Business Consultant in a constantly evolving economic and social scenario, the Workshop dedicated to the Business Areas, "Smiling through gritted teeth", was organised, which saw the presence of a special guest, Prof. Marco Grazioli, Chairman of The European House - Ambrosetti, as well as head of the "Competitive advantages through people" area and an expert in managing change processes and complex negotiations.

6.2 Interest rate and condition policy

With regard to loans, a pricing policy was adopted in 2021 that takes into account - in addition to the reference market - the current and future levels of refinancing cost, as well as the type of loan disbursed, its duration and the weighting for the risk. In the funding segment remuneration was adjusted to the context and slightly reduced during the year.

6.3 Commercial initiatives, communication and marketing activities

SPARKASSE ON - the online service platform

The 2021 financial year saw the birth of Sparkasse ON, the new online service platform. Fast and efficient, it allows the customer to minimise time and effort, quickly satisfying their needs according to the preferred method of contact each time. SPARKASSE ON, is accessible via PC, tablet, or smartphone with the appropriate app.

The Parent Bank has developed an online banking platform with an innovative approach, delivering customers a completely new channel in terms of design and usability, enriched with new functions that will be further enhanced with new releases over time. The goal is to allow an increasingly comfortable interaction with the Parent Bank. It is in fact, a real "service platform", as well as new internet banking.

Sparkasse ON is accessed by PIN, fingerprint, or facial recognition. Furthermore, with ON it is now possible to digitally sign investment proposals in funds and credit lines, or to apply for a loan online, without going to the branch. In addition to the classic functions of internet banking, ON presents the following innovations, highlighted by three characteristics:

- Always ON your side PERSONAL: you can choose and customise the functions you want and receive tailor-made proposals and services.
- Always ON top EVOLVED: those who wish can be insured instantly, even for only one day, with the instant policy, Protection Mountain, which Sparkasse offers in collaboration with its partner Net Insurance. Simply activate it on the new SPARKASSE ON app and up to 6 people can be insured. The product has been designed to protect those who practice sports at an amateur level: mountain or mountain bike excursions, sport climbing, skiing, snowboarding, cross-country skiing, sledding, snowshoeing, and ice skating.
- Always ON time FAST: 1 click is enough for various operations, transfers can be instantaneous or are carried out within a few seconds to be made available in the beneficiary's account. Sparkasse was among the first banks in the area to launch the new form of instant payment: the immediate SEPA transfer, to receive and transfer money in real time, to and from all participating banks, in Italy and Europe, every day, 24 hours a day.

Finally, we should mention the creation of the virtual assistant MariON, available to consult balances and movements and facilitate the implementation of wire transfers and telephone top-ups with your own voice.

Sparkasse launches SwatchPAY! - a payment card on your wrist

SwatchPAY! is the new service offered by the Parent Bank that allows you to have a payment card on your wrist and allows you to pay simply by bringing the watch close to the payment terminal, thus avoiding any contact. SwatchPAY! allows you to connect all the Parent Bank debit and Nexi credit cards to your Swatch watch to pay contactless in all authorised stores. The service is waterproof, safe, original, and ultra-fast. SwatchPAY! is available in various European countries as well as in Russia, China, and the United Arab Emirates, and further enriches the offer of mobile payments, combined with a famous brand such as Swatch, a radical chic watch known since the 1980s and now embellished with the new contactless function.

Pension campaign and insurance solutions

In continuity with the path undertaken by the Parent Bank aimed at achieving a targeted strategic positioning in the field of supplementary pension, Sparkasse has launched an awareness campaign, with a central message: the public pension alone, will not be enough to maintain current income. The gap between income and pension, the so-called pension gap, must be bridged: if customers want their standard of living to not change in the future, they need a plan with which to gradually integrate their pension.

The visuals of the marketing campaign aimed at involving individuals through testimonials of different ages, genders, and professions. Furthermore, we wanted to raise awareness on the issue of the pension gap, by showing a graph that displays the gap at the time of reaching retirement age.

On the website of the Parent Bank, an ad hoc section has been created for the pension issue which contains a calculation tool to become aware of one's position and the related future pension gap. The simulator also represents a support for a subsequent in-depth consultancy in the pension field.

New: Long Term Care

The Parent Bank has developed a new insurance product, born from the partnership with Net Insurance, for a peaceful future protected from unforeseen expenses, and is proud to be one of the first local banks to be able to offer this interesting proposal to its customers. It is called "Protection Vita Serena" and it is a "Long Term Care" policy, i.e. a protection for long-term assistance, an insurance policy that guarantees a fixed annuity in the event of loss of self-sufficiency, protecting the autonomy of the insured and giving concrete support to the family with the possibility of also integrating a life guarantee. Non-self-sufficiency is a condition that can affect all ages and is determined by a multiplicity of factors. In Italy there are over 3 million non-self-sufficient people who need continuous care and assistance that the State is unable to guarantee and that can also take up a large amount of the family budget, both in terms of time and expense. Today, with the new policy, the Parent Bank responds to the problem of non-self-sufficiency with a solution which, based on a subscribed fixed monthly price, offers a monthly income of up to a maximum of Euro 2,500 for the whole life. LTC premiums are 19% deductible from income tax.

Compulsory RCT policy campaign: Skiing safely with Sparkasse

The skier, both with skis and with snowboard, who uses the ski slopes must have RCT insurance (Third party liability). The penalty for those who do not have insurance ranges from Euro 100 to 150, in addition to the withdrawal of the ski pass. At the heart of the campaign launched in December in view of the entry into force of the related new law from 1 January 2022, three Sparkasse solutions were placed:

- Protection Mountain, the instant policy that can be purchased through the ON app that can be activated even for just one day, for one or more people.
- Protection Patrimonio, the annual policy with which it is possible to ensure the civil liability of private life that covers the entire family unit as well as the various areas of private life, even for skiing.
- Protection Benessere e Salute, the annual policy that guarantees complete protection against unexpected events such as accidents, surgery, and illness. In fact, many of the accidents that take place on the slopes, in which it is difficult to establish a culprit, are treated as a concurrence of guilt. Therefore, it is not guaranteed that the liability insurance alone will suffice and it is instead more likely that your own accident insurance will be liable, if in possession, which is not mandatory but which includes: Assistance, Accident care expenses, Reimbursement of skier's expenses, Civil Liability, and Legal Protection.

New Eurovita Multiramo Saving Private & Private Plus solutions

The Parent Bank has expanded its offer with new Multiramo policies, dedicated to customers of high standing, which flexibly combine within themselves the typical characteristics of insurance products and investment products. They are suitable for those who want to diversify their investments and at the same time have easy access to the financial world, entrusting savings to guided and professional management. Multiramo investment solutions therefore reconcile the need to seize the opportunities that the financial markets may present, with the security of a revaluable investment linked to a separate insurance management. These policies also represent a tool for protecting assets, also with a view to generational change. Indeed, the insured benefits in favour of the beneficiaries are not part of the estate and are therefore exempt from inheritance tax. An additional advantage is that the tax on financial returns (capital gains) is deferred upon liquidation. Being an insurance product, it is unchallengeable and cannot be seized.

Sparmix awareness campaign

A targeted campaign that involved, in tandem, both advertisements and advertorials, and placed the following message at the centre: with yields currently below zero or slightly above, it makes little sense to invest in bonds and other fixed income securities, or leave the unused money in the checking account; those who want to get a positive return on their savings must also consider investing in stocks. Sparmix, the solution devised by Sparkasse, offers for example the opportunity to combine the advantages of the planned investment with an attractive return on liquidity.

Launch of the new Green Mortgage

The Parent Bank has expanded its range with the Green Mortgage for those who want to make their home more efficient from an energy point of view by reducing emissions in the home. The new loan, with a duration of up to 30 years and a favourable rate, is dedicated to private individuals to support the purchase or construction of a new energy-efficient home (class B or higher) or its redevelopment with an improvement of at least two energy classes. The Green Mortgage product therefore offers better economic conditions compared to a standard mortgage and an extendable duration of up to 30 years. The directly related economic advantages derive from the lower expenditure linked to energy consumption and, in the event of renovation, from the increase in the value of the property. For some time now, the Parent Bank has been paying increasing attention to sustainability issues. Numerous proposals have been developed, grouped in the Sparkasse GREEN offer, which is now further enriched with the green mortgage.

Sparkasse Green with Alperia Photovoltaic: new "MyHome" offer

As part of the partnership between the Parent Bank and the South Tyrolean energy provider Alperia, the "MyHome" offer was activated, dedicated to the installation of a photovoltaic system on residential properties (except condominiums) in Trentino-Alto Adige - an offer also proposed directly at Sparkasse counters. It is made up of different types of photovoltaic systems, depending on the power supplied and includes, in addition to the installation of the system, also the management and maintenance for the next ten years. The amount for the installation of the system enjoys 50% of tax incentives. The remaining 50% can be financed through a ten-year loan at a reserved rate. The Parent Bank thus affirms its positioning in the field of energy transition and green path. We would like to remind that Sparkasse branches also offer Alperia's electricity and gas for domestic use, with a contract signed directly at the bank.

Sparkasse branded young products

A recent market survey confirmed the competitiveness of products for young people, the Conto Chili in particular among high school and university students compared to our main competitors, highlighting the services offered as particular elements of competitive advantage, included in the fee for the youth account, such as a debit card, free withdrawals at ATMs in the euro zone, "ON" online banking, and a deposit account. This customer target is particularly important for the Parent Bank, which always wants to guarantee an adequate offer in line with customer needs and at the same time retain existing customers and acquire new ones. The most recent innovation introduced is the Smart Card for minors.

Sustainable mobility: new partner, the Sparkasse Auto service strengthened

Long-Term Rental is a mobility solution that relieves the customer of the burdens and duties of owning a car and protects him from vehicle depreciation, a significant factor in these years of profound technological changes in the sector. During the 2021 financial year, the Parent Bank strengthened this service, dedicated to both individuals and businesses. To satisfy increasingly specific and differentiated customer requests, the Parent Bank has concluded a new strategic partnership with Autosystem S.p.A., in which it has acquired a 25% stake. Autosystem has been active for more than 35 years in the short, medium and long-term rental sector for both private vehicles and corporate fleets. Today, in addition to the operational headquarters in Pordenone, it has 8 other branches in Friuli (Udine), Veneto (Padua, Treviso, Verona, Venice, Portogruaro) and Lombardy (Milan, Brescia), as well as a branch in Bolzano, at the Sparkasse branch in Via Galvani, in the industrial area.

With this choice, the Parent Bank confirms its vision, which identifies development potential in the long-term rental market with a dual objective: to diversify the sources of revenues and to respond effectively to customer needs through the offer of products and innovative services. With the long-term rental, the Parent Bank is moving towards the future of mobility; the market has seen strong growth in recent years.

Individuals and companies choose the Long-Term Rental formula as a flexible alternative to buying or leasing a vehicle. The monthly fee includes, in fact, registration, road tax, insurance, maintenance, overhaul, roadside assistance service, and much more.

Companies wishing to switch to a corporate fleet with electric vehicles are becoming more and more numerous. The advantages are many: positive perception of the corporate brand, lower management costs, and financial incentives.

Sparkasse promotes the growth of innovative startups

"Start & Go" is the new package for innovative startups. The Parent Bank supports the investments necessary both for the development of the product or service and for the launch of the same on the market and for the evolution of its entrepreneurial activity. The "Start & Go" package also provides a tailor-made consultancy service in order to find the best solution for the growth of the startup's business.

"Start & Go" consists of a set of products dedicated to the financial support of innovative startups, both in the short term, for example with the advance of public grants, and in the medium-long term to also support investment operations while exploiting the concessions and public guarantees available. The amounts can reach up to Euro 250,000, providing a real "boost" to the finances of the startup.

The "Start & Go" package is offered through LDV20, the Parent Bank's space dedicated to entrepreneurial innovation and goes hand in hand with personalised coaching services and the Open Innovation program.

RADAR, the company innovation initiative

RADAR is the initiative of the Parent Bank which aims to support companies in innovation internally through collaboration with young startups. Launched in an experimental form, RADAR has become a high value-added service for Sparkasse's customers. The second edition was held successfully, with three local companies as protagonists, important customers of the Parent Bank (the Melinda apple consortium, FZSoNick, battery producers, and MSM Stampi, specialists in mold creation) looking for partnerships with innovative startups. Almost fifty startups and SMEs presented their products and services to meet the needs of the three companies. The winner was YK-Robotics, a young Tuscan startup, which offers a "no-code" platform to simplify the implementation of robotic processes in SMEs. A special mention should also be made for the other finalists: Enersem, which deals with energy efficiency, Envision, which designs smart cities, and Novotic, also with a focus on robotics.

The Parent Bank acts as a promoter to find new innovative realities in favour of companies that are looking for new innovative solutions.

Corporate Banking

The Corporate Banking segment has evolved in terms of products and services offered to corporate customers. For example, in the area of the International Desk, via the Head Office in Bolzano and the Vicenza and Verona hubs, three specialised business units support companies in their globalisation process. In addition, a new team of specialist consultants in Corporate Finance has been created in Vicenza. These expansions strengthen the infrastructure serving the economy in Veneto, a region where the Parent Bank is increasingly establishing itself as a reference point for businesses and the main economic operators, guaranteeing high-quality services in support of growth and development projects.

In 2021, Sparkasse and the European Investment Bank (EIB) signed an agreement, which makes available a new credit line for subsidised loans of a total of Euro 60 million. The ceiling is available for medium-long term loans in favour of Small and Medium-sized Enterprises (SMEs) and Mid Caps with a share of Euro 15 million specifically intended to support initiatives relating to Climate Action and Environmental Sustainability.

Other subsidised loans, which provide a series of advantages when compared with other credit solutions on the market and to which the Parent Bank has adhered are:

- financing for the purchase of capital goods such as machinery, plants, equipment, hardware, software and digital technologies, the so-called Nuova Sabatini,
- loans assisted by the Central Guarantee Fund (FCG) which provide for a public subsidy issued in the form of a State surety to guarantee the credit lines granted by the Parent Bank in a variable amount between 30% and 90%,
- loans assisted by the European Investment Fund (EIF), dedicated to small and medium-sized enterprises in possession of requirements that demonstrate the company's orientation towards Research, Development and Innovation (RS&I),
- the credit lines supported by the Guarantee Cooperatives.

Private Banking

In moments of uncertainty, customers feel the need to be accompanied and advised in their investment choices. This is reflected in the perception of an ever-increasing demand for consultancy, with particular attention to that with high added value. To meet this need, Private Banking has strengthened its dedicated structure with a series of new offers and services. During the 2021 financial year, five new Private Banking Consultants decided to choose Sparkasse as their new employer. Moreover, thanks to their great commitment, their experiences and qualifications acquired over the last few years, 11 Personal Banking Consultants have been promoted as Private Banking Consultants.

The Parent Bank is close to its customers providing the best support in terms of protection and enhancement of what they have built over time and how this can evolve. In this sense, the "Sparkasse 360" Consultancy Platform acts as a guide in the complex world of asset management, offering the possibility of mapping the needs of private customers even more accurately.

The updating of savings products continued, expanding the offer with new funds. Collaboration with important world leaders in asset management has intensified, including UBS, Eurizon Capital, Anima, Fidelity, Pictet, Pimco and Vontobel. A support and guidance tool, very useful and well received by the customers, is the so-called "model portfolios", developed and updated by the Investments Committee of the Cassa di Risparmio, which offer the investors an authoritative reference for their choices. The "Daily Market Update" and the quarterly guide to the financial markets "Investment Compass", both of which are sent out in newsletters to more than a thousand investors, also provide useful support.

The opening of new branches with innovative formats continues

The innovative concept designed through the integration between traditional physical channel and advanced digital systems and developed on the basis of the "Look Ahead" concept which transforms the classic bank model into a unique environment, making the most of the relational and consulting aspect was also applied in 2021 to a series of new openings: in a strategic position in Verona South, precisely in Largo Perlar, and also in Appiano, Egna, Sarentino, Corvara and Via Roma in Bolzano.

The innovative branch concept of the Parent Bank has received international recognition and appreciation. Thus, the renowned international specialised magazines "Retail Design International" and "STORE BOOK 2021" have dedicated, in their latest edition, ample space to the topic. In the STORE BOOK 2021 publication, considered the "Best of" design in stores at an international level, 50 projects are presented all over the world. Next to the museum shop of Ludwigsburg Castle in Germany and futuristic shops in Asia there is also the innovative Sparkasse concept.

Furthermore, after having successfully experimented with the opening of a branch in Vicenza together with the Alperia utility, the partnership also continued in the heart of Verona, at the branch in Corso Porta Nuova. A rather interesting solution in its uniqueness given that the Parent Bank is the first bank in Italy to implement this type of concept. Basically it translates into a physical space which, instead of being solely and exclusively banking, becomes a branch that hosts another operator in the same environment, in this case an energy service provider, an important company based in Bolzano and with which therefore the territorial identity is also shared.

New concept of Branch Service: more time to devote to consultancy

In order to strengthen relationships and meet customer needs, the Parent Bank wants to bring its branches closer to changing needs. It has therefore developed a service concept with personalised assistance, increasing flexibility for the benefit of the time to devote to the client to allow tailor-made advice on his financial, insurance and pension needs. To best achieve this goal, it has defined new opening hours for the branches. It was therefore a question of actively sensitising customers. The new concept of branch service, as well as the new opening hours, were communicated to each customer. In addition, extensive information material was produced on the new concept of consultancy, including flyers, posters, news on the sparkasse.it website, posts on Facebook, information on ATMs and on the "ON" online banking.

Digital excellence: Sparkasse at the top in Italy

An important recognition was obtained at a national level: in a survey conducted by the Istituto Tedesco Qualità e Finanza (ITQF), the Parent Bank is among the top companies in Italy in terms of "digital excellence". In the banking sector with branches, Sparkasse ranks third behind Credem and Intesa Sanpaolo. This is the third edition (2021-2022) of the "Digital Stars" survey that the ITQF institute conducted on the most digital companies, examining over 2,000 companies, divided by sectors. The 1.5 million citations detected were subsequently divided by tone and relevance to give life to the ranking of the 300 Digital Stars in Italy. This recognition constitutes an appreciation of the commitments of the Parent Bank: innovation and digitisation are, for the bank, an important competitive lever.

Shareholders - the Bank's "assets" at the basis of a strong link with the territory

The Shareholders represent a fundamental asset for a local bank like the Parent Bank with over 165 years of history, which has always contributed to the development of economic and social fabric. Today, Sparkasse, with over 100 branches, is present in 10 provinces and has over 22,000 Shareholders. This important number is the demonstration of the relationship that unites the Parent Bank with the territories in which it operates.

Sparkasse Shareholders can benefit from a series of dedicated products and services, with favourable conditions. Thus, for example, Shareholders with a minimum of one hundred shares are offered two package current accounts with special benefits and associated services at very valuable fees: Platinum Account and Silver Account.

Also worth mentioning is the Sparkasse Club, accessible through the dedicated website clubsparkasse.it, which is divided into three areas, each offering special benefits: banking products, events and gift items. Moreover, nice surprises are sent to the members of the Club in the month of their birthday. At the end of 2021, over 12,000 Shareholders were registered.

Sparkasse employees - a close-knit team, a winning team

Cassa di Risparmio di Bolzano is made up of a strong team of over 1300 employees. The objective of the Parent Bank is to develop talent, enhance diversity and reward excellence. The Parent Bank promotes a corporate culture aimed at enhancing its collaborators, aware of the fact that the contribution of collaborators is what first creates added value in the company. People represent a fundamental element for the achievement of the company's objectives. For this reason, personnel management is aimed at enhancing everyone's skills and abilities and offering effective opportunities for their development.

Sparkasse signs the "Valore D" Manifesto

Sparkasse joined the network of virtuous companies, united in "Valore D" (where D stands for Diversity), and signed the relative manifesto, a programmatic document that commits the company to undertake concrete initiatives for the enhancement of gender, generational and cultural diversity internally. "Valore D" promotes gender balance and an inclusive culture for the growth of companies and the country. Valuing gender diversity, but also generational and cultural diversity, is a factor for innovation, competitiveness and therefore growth. The Bank's adhesion represents a fundamental element for gender policies in our company and fits well within the corporate social responsibility actions. Joining Valore D means believing in these values and strengthening our commitment with dedicated initiatives and projects. The right management of diversity and inclusion can have a direct and positive impact on business results, in terms of greater productivity, retention, collaboration and, consequently, greater profits.

Among the various initiatives, the Parent Bank introduced innovative welfare measures, in line with the needs of employees, as well as various continuous training actions. In particular, work-life balance, an instrument of cohesion and concrete application of corporate social responsibility, is a strategic factor for the construction of an innovative corporate culture, a vehicle for the development of one's human capital. A particular focus is also dedicated to "Valore D - Talks Academy", online meetings with experts that attract participants from all over Italy, open to collaborators on topics such as inclusive language, leadership and empathy.

Sparkasse obtains the "FAMILY & WORK AUDIT" certification

The Family & Work Audit certification process was launched last June, planning new initiatives, interventions and work-life balance tools, foreseeing their implementation over the next three years. For the projects identified, such as family services, parenting support, assistance services, socialization activities, the Parent Bank has obtained the Family & Work Audit certification, a brand that is part of the European work and family audit of the German Hertie Foundation, whose licensing body for the development and local management in the Alto Adige area is the Chamber of Commerce of Bolzano in coordination with the Autonomous Province of Bolzano. Great satisfaction for this recognition which also represents an important commitment to maintain its active action on the issue of Social Responsibility (CSR) and the development of an innovative corporate culture. The Bank accommodates the needs of family life in the context of work, ensuring flexibility and support services, in addition to what is already provided for by the company agreements in force.

Sparkasse certified ISO 45001

With the fulfilment of the UNI ISO 45001 standard, the prevention and protection policies of workers improve and, moreover, the company has an internationally recognised tool to combat accidents and occupational diseases in an increasingly effective way. As the first bank at a local level and one of the first at a national level, the Parent Bank obtained the Certificate of Conformity to the international standard ISO 45001:2018, for the adoption of its Occupational Health and Safety Management System (SGSSL). This is an important certificate for the Parent Bank and for the quality of its work that up to now few companies have managed to obtain.

Sparkasse Outdoor Forum

A far-reaching event was the first Sparkasse Outdoor Forum, held in September at the Messner Mountain Museum in Castel Firmiano in Bolzano. The meeting was an important opportunity to discuss the performance of the Parent Bank and to share perspectives and opportunities, including personal relationships, hitherto interrupted due to COVID-19. The theme of the meeting was "Retrospective 2019-2021 and a look to the future". At the beginning, a short film was shown, indicating the 2020-2021 highlights, i.e. the most important episodes of the Parent Bank in that period.

Traditional and innovative communication tools

To support the achievement of the business and brand objectives, the Parent Bank has been very present in traditional and digital media in terms of product and institutional communication. Among the online communication tools, the presence on the most important social media channels, Facebook and YouTube, was intensified, achieving significant growth in terms of interactions and significantly increasing the number of followers and likes. In particular, Sparkasse on Facebook in 2021 managed to greatly exceed 13,000 followers. The number of interactions with the Facebook page of the Parent Bank and with its posts is high in percentage, even compared with competitors. In addition to presenting products and services, this is a channel on which the Parent Bank provides useful financial information. The Parent Bank is also active on Linkedin which is the main social network in the workplace. Social media are efficient tools that make it possible to strengthen the relationship with customers, to get in touch with prospective customers and to increase brand awareness.

The Parent Bank have seen a constant presence not only in the local media, but also in the major national financial media such as "Il Sole 24 ore", "Milano Finanza" and on the economic pages of "Corriere della Sera". To these were added economic-financial web channels, such as "Class CNBC" of Milano Finanza and specialised publications such as the prestigious "Rivista Bancaria". Throughout the year, communication activities, with timely press releases, were further developed and intensified in support of the main initiatives and activities undertaken by the Parent Bank.

A series of marketing campaigns and initiatives were carried out using the whole range of channels and media available: from the traditional advertising campaign in the press, television, online, billboards, trade marketing tools, which were also joined by the several direct marketing actions and organisation of specific events.

The various actions were developed both online and offline, not least including Radio campaigns. In addition to the media campaigns, the various visuals were published on the screens in the branches and in the windows of the same, together with dedicated posters and flyers.

The publication of the "Journal", a Sparkasse six-monthly magazine of the Parent Bank for customers, shareholders and collaborators, continued. In each edition, it is possible to consult interesting articles on the various initiatives involving the Parent Bank, receive information on products and services offered as well as a number of in-depth analyses on current economic and financial issues. The magazine also dedicates ample space to prominent personalities who stand out in their field, whether economic, cultural or sports.

6.4 Territory, public relations and sponsorships

Every year, the Parent Bank devotes significant resources to supporting economic, sporting and cultural events. It does so with the conviction that its task is to contribute to the growth and well-being of society by supporting the positive stimuli coming from the region.
Due to the pandemic and the consequent government regulations, in 2021 the possibility of organising conferences or conventions or even economic-financial and cultural events has been more limited.

Local initiatives

Initiative together with AISLA in favour of the territory

In the last quarter of 2021, the Parent Bank, together with the Italian Amyotrophic Lateral Sclerosis Association (AISLA), presented an ATM action, with the aim of providing concrete help to ALS patients and their families. Sparkasse customers have the opportunity to donate Euro 1 to charity for each withdrawal at ATMs. The Parent Bank has very gladly joined the initiative proposed by the Trentino-Alto Adige section of AISLA, providing its support to this social project which consists of concrete help, directly on site to offer support to the sick who are unable to move and/or talking about ALS to family and friends. Thanks to the funds raised and the contribution of the Parent Bank, concrete and direct help such as physiotherapy and counselling can be provided free of charge, both of which involve a heavy cost.

Free University of Bolzano

Investing in the preparation of young people enriches the area and lays the foundations for the success of local companies. To support study and reward excellence, the Parent Bank has been an important supporter of the Free University of Bolzano for several years. Thanks to the Parent Bank, three of the most promising and qualified students can spend a year in the financial metropolis of New York, at the Zicklin School of Business of Baruch College (City University of New York), located near Wall Street, and obtain a double degree: the Italian and the American degree. The double academic training represents a creation of value with a high strategic content.

Sparkasse and ACLI Trentino together for the Superbonus

The Parent Bank and Acli Servizi Trentino have joined in an efficient collaboration that aims to facilitate customers in using the 110% superbonus, the incentive measure that aims to make our homes more efficient. A related partnership agreement was signed to be alongside the people of Trentino who intend to take advantage of these tax benefits. On the one hand, Acli follows and manages the tax part, providing technical and administrative consultancy to obtain tax bonuses; at the same time, the Parent Bank finances the restructuring works and purchases the tax credits accrued at attractive prices. This is an agreement in favour of the Trentino area, to give the widest scope to these energy efficiency measures.

Events

13th Global Forum Südtirol

The 13th Global Forum Südtirol 2021, dedicated to the theme of simplicity, was held at Eurac Research Bolzano, with the Parent Bank as main sponsor. During the interesting meeting various concepts on the subject were explored by the speakers: what is simplicity? Why does simple communication apply above all to products and services? What is the connection between simplicity and good leadership? The intervention of the philosopher and futurologist David Bosshart on the topic "Simplicity pays" was very popular. Among the keynote speakers also Luisa Delgado, Chair & Supervisory Board Member of IKEA, on the concept "Simplicity - the essence of successful leadership" and Norbert Niederkofler, Executive Chef St. Hubertus Rosa Alpina who spoke of "Simplicity as a vision". The Global Forum Südtirol (GFS) constitutes a unique network of decision makers, an independent "think tank" that provides food for thought and development on global trends and issues of the future.

Nobel Prize Robert F. Engle in Bolzano

Robert F. Engle, Nobel Prize for Economics, was the protagonist of a conference at the Free University of Bolzano (unibz), where he gave a speech entitled "Climate Risk and Sustainability", an event supported by the Parent Bank. Robert F. Engle, professor of finance at New York University Stern School of Business and 2003 Nobel Prize in Economics, highlighted the effects and impact of climate change on the financial system and how the adoption of sustainable development policies can mitigate the financial risk both at the level of institutions and companies.

South Tyrolean Economic Forum

Also in 2021 the Parent Bank was the main sponsor of the South Tyrolean Economic Forum, a stimulating meeting point for freelancers, entrepreneurs and managers, for almost 20 years now. The 2021 edition that was held online was dedicated to the theme "The future after the Coronavirus: Successful strategies in stormy times". Among the speakers, the head of Facebook in Europe Angelika Gifford, the investor Christof Hettich and Alex Nigg, founder and CEO of Properly, an innovative quality management platform with offices in San Francisco (USA), Punte (India) and Wellington (New Zealand).

Meeting on "What tools for businesses from the Recovery Fund?"

In the spring, the event, held via videoconference, with Professor Carlo Cottarelli, the leading expert in spending review was held, organised by the Parent Bank in collaboration with "The European House - Ambrosetti". In the context of a restricted round table, the well-known economist, in his capacity as Director of the Observatory on Italian Public Accounts at Università Cattolica del Sacro Cuore, spoke on the topic: What tools for businesses from the Recovery Fund? The meeting was a precious moment of confrontation with one of the protagonists of the NEXT GEN EU Plan as well as major national experts in the field of public and private investments. It was an excellent opportunity to confront and discuss directly in an open dialogue with Prof. Cottarelli to deepen the theme of the Recovery Plan and to answer questions on what the priorities for businesses may be.

Fit for Business powered by Sparkasse

"Fit for Business powered by Sparkasse": the concept behind this socio-sporting event, a corporate race for teams made up of 2 people from the same company, is simple and clear - group cohesion and team strength. There were 700 participants in the 20th edition including 30 "Red Runners" branded Sparkasse, i.e. employees of the Bank. Two of our collaborators came in 1st place in the female couple category. Excellent times were also achieved in the individual rankings. The Parent Bank is the official sponsor of this important event which is a great success every year. The fun and joy of practicing a physical activity, without aiming for exasperated competition, is the concept behind the event.

Public Relations Initiatives

Treasure of medieval coins: exhibition and book

35 years ago, the Parent Bank bought the precious treasure made up of over 4,000 silver coins that were buried in Padua in the fourteenth century. This treasure, which is very important for numismatics, was acquired by the Parent Bank at the time when it was possible to preserve it in its entirety and prevented it from being dispersed through the sale of individual coins. The Parent Bank wanted to make this cultural heritage more accessible, both with digital exposure and with the publication of a book. The author, Prof. Helmut Rizzolli, an expert in history and the local monetary and banking system, has written in this book an overview of the monetary and banking system of over a thousand years ago in the geographical area between the Alps and the Adriatic Sea and explains the importance of the treasury of Padua in this context. The book describes the first forms of the banking system and illustrates the coins minted, in addition to Merano, considered the monetary capital of the time between the Alps and the Adriatic, also at the mints of Padua, Verona, Treviso, Trento, Lienz and Hall in Tirol. The medieval history of coins, banks and commerce forms an inseparable unity in modern economic history. The event, with the presentation of both the exhibition and the book at its centre, took place in compliance with anti-COVID regulations in the historic branch of Piazza Walther in Bolzano, and it was also possible to follow it online on live streaming.

Sparkasse was present with information stands at the Hotel, Klimahouse and Fiera Edilizia fairs

The Parent Bank was present with its own "mobile branch" at the annual Fiera Hotel in Bolzano. The participation was an opportunity to present to the operators in the sector the best solutions in the field of Mobile Collections and Payments as well as the mobility offers through Sparkasse Auto.

As part of Klimahouse, the leading fair for the future of sustainable construction followed by Fiera Edilizia Abitativa fair, the Parent Bank's collaborators provided personalised advice to those wishing to buy or renovate their home, illustrating the best solutions in terms of financing and sustainability, superbonus, ecobonus, and complete or partial restructuring.

Artistic calendar

The new artistic calendar of Cassa di Risparmio di Bolzano has as its theme "Hidden Treasures". While the traditional pre-Christmas exhibition could not take place due to the pandemic situation, the Parent Bank continued with its long tradition by creating the artistic calendar published annually since 1961. The calendar features twelve unpublished works of art from the collection of the Bank and Cassa di Risparmio Foundation, which are presented to the public for the first time. The heritage, which has over 500 works, is made up of works by local artists with the core consisting of paintings on wood and graphic works from the twentieth century to the present day and can be considered one of the most important in Alto Adige.

Sponsorships

The sponsorship activities, in addition to promoting the image and strengthening ties with the territory, continued to represent an important relationship tool. Some of them are mentioned below.

Team sports

The Parent Bank believes in the passion for sports that makes each territory unique. This is why it supports those who are committed to achieving large and small goals in professional and amateur sports every day.

For years, Cassa di Risparmio has been an important sponsor of football with FC Südtirol/Alto Adige, including the FC-Kids Club for children between 5 and 12 years old and FC Giovani, and with the Hockey Club Bolzano Foxes in hockey, two top teams at national and international level.

Furthermore, the Parent Bank has become the new "golden sponsor" of AC Trento. The Trento Football Association, started exactly a century ago in 1921 and promoted this year to Serie C Lega Pro represents the history of football in Trentino and also has a strong presence in the youth sector. A community of values binds us to Calcio Trento, ours is therefore not a pure and simple sponsorship, but a real partnership and sharing of ideas and projects - a shared growth path.

The Parent Bank also supports the hockey teams HC Val Pusteria Lupi, HC Broncos in Vipiteno, Hockey Ritten Sport, HC Falcons Bressanone and the women's hockey team EV Bozen 84.

The Parent Bank is also the official VIP-Sponsor of two men's handball teams, SSV Bressanone and SC Merano, both in the A1 division.

Sparkasse supports the men's volleyball team Trentino Volley, present in SuperLega, and the women's teams Neruda Volley, Alto Adige Volley Südtirol (AVS) and SSV Bolzano Volley.

Also worth mentioning is the sport of basketball, where the Bank is a sponsor of the men's team of Series A Aquila Basket Trento and of the women's teams ASD Basket Club Bolzano and Pallacanestro Sisters, both in A2.

Tennis

Tennis is considered a complete and harmonious sport, as it requires excellent both physical skills, including coordination, speed and endurance, and mental skills, including tactics, reflexes and intuition.

For many years, the Parent Bank has been active as the main sponsor of successful initiatives in this discipline. The highlight of South Tyrolean tennis is the "Sparkasse Challenger Val Gardena". The most important tennis tournament in Alto Adige was won by the German Oscar Otte. Also thanks to this victory the tennis player managed to enter the ranking of the best 100 players in the world.

The Parent Bank also sponsors the ITF international tournament of the Tennis Club Bolzano which takes place every year in July.

Other sports sponsorships

Also in 2021, the active collaboration with Assisport Alto Adige/Südtiroler Sporthilfe continued, with the aim of helping and supporting young sport talents. For over 15 years, the Parent Bank has been the official partner of the association, which has supported so far more than 1,400 boys and girls, of whom various have become top athletes at world level, winning Olympic, Paralympic, World and European titles. It is also the official sponsor of the USSA South Tyrolean Sports Society.

The Parent Bank supports the young and promising cyclist Matteo Bianchi, considered one of the most promising young cyclists in Alto Adige. Active worldwide athlete, he has already put numerous trophies on the bulletin board. Three years ago, at the young age of 17, he obtained in his favourite speciality, the standing kilometre, the bronze medal at the junior track cycling world championships with a fixed gear bicycle, without brakes and gears. It is a speciality of track cycling: each runner, starting from a stationary and competing individually "against the clock", must cover a predetermined distance in the shortest possible time. It is a pleasure and a source of pride when a young athlete achieves world success. Matteo Bianchi has the 2024 Olympics as his great goal.

To support sports clubs in their activities, Cassa di Risparmio di Bolzano, also in 2021, offered them the possibility of applying for an important contribution towards the purchase or long-term rental of a new minibus, including electric or hybrid variants, to facilitate the transport of training athletes to competitions and to make their journeys more reliable. The initiative has proved to be highly appreciated: in the last three years, more than 30 associations have benefited from this form of support.

Economy

For over twenty years, the Cassa di Risparmio di Bolzano has been the main sponsor of Fiera Bolzano, whose goal is to multiply relationships, connecting people, markets and ideas, also through advanced physical and digital participation formats. Fiera di Bolzano has always been a meeting point for Italian companies and those from the German-speaking area and neighbouring countries, creating opportunities for concrete opportunities to spread knowledge and professionalism.

The Parent Bank is the main sponsor of Confindustria Trento which represents the interests and collective identity of Trentino companies and which today has over 600 member companies which in turn employ 30 thousand employees. On the occasion of the General Assembly of Confindustria Trento, held in the autumn in Riva del Garda, the Parent Bank was present with its innovative mobile branch "Guardare Avanti" (Look Ahead). On the occasion of the Shareholders' Meeting, the "Duemilatrentino - Futuro Presente" initiative was presented, promoted by Confindustria Trento with the support of the Bank and the professional assistance of The European House - Ambrosetti. This is a major vision project on the challenges and opportunities that are opening up for the Trentino system. Confindustria Trento has chosen to devote its energies to the construction of a valuable strategy, an initiative in three acts that establishes proposals, solutions and guidelines for the economic-productive strengthening of Trentino.

Culture and Art

The Parent Bank is also involved in the cultural field, supporting different cultural institutions.

In the field of music, the "Südtirol festival merano" is worth mentioning for its rich programme: an international and prestigious festival with music offered by various top-level orchestras. The Festival represents the excellence of events in Alto Adige, concerts of classical and baroque music, jazz and world music, chamber and vocal music with an audience from all over the world.

The partnership agreement with the Haydn Foundation of Bolzano and Trento, one of the most prestigious artistic institutions in Trentino-Alto Adige, promotes quality musical culture by offering the public unique experiences. The fields of activity include the symphonic concerts of the Haydn Orchestra, the opera program, and the Bolzano Danza Festival. In addition, the Foundation develops the Haydn Education program that brings music to schools, with different paths for age groups. The Parent Bank, in addition to being the main sponsor, has become an "Art Bonus patron", making donations in support of cultural heritage and participating in the Art Bonus program of the Ministry of Culture. Culture, in fact, is an engine for the growth of the territory. In October, the Charlie Chaplin cine-concert was organised for our customers and shareholders, who were delighted with the images of Charlie Chaplin's short film Modern Times accompanied by the sounds of the Haydn Orchestra under the direction of the American Timothy Brock.

The Parent Bank has become the main sponsor of the Festival della Bellezza in Verona and its surroundings: from June to December, 30 new events were held, connected to each other in historical scenarios of great tradition and charm, with the works of the great poet Dante Alighieri and the philosophical expression at centre stage. An itinerary of performances and reflections on poetry in Dante's places, cities of art and Unesco sites.

Focus is also placed on theatre activities. The institute is a sponsor of the Teatro Stabile di Bolzano which, after the Piccolo di Milano, is the second "Teatro Stabile" in Italy, and is one of the most important cultural institutions in the region. In addition, it is the official sponsor of the Teatro Cristallo as well as of the theatre activity of the Südtiroler Kulturinstitut (SKI).

6.5 Public Entity Treasury

In 2021, Treasury/Cash services were managed for 140 Public Bodies, the most important of which are the Autonomous Province of Bolzano, the Alto Adige Healthcare Authority, the Agency for Social and Economic Development (ASSE), the Institute for Social Construction (IPES), the University of Bolzano, the Municipalities of Scena, Egna, Silandro and Ora and the districts of Bassa Atesina and Val Venosta.

There were approximately 1,530,000 payments and collections for a total of approximately Euro 20.3 billion.

In 2021, the most important change was the increase in digitisation in the transition of various entities to the IT mandate and the strategic decision to no longer provide treasury services to the less important Separate Administrations. We have also concluded the treasury service for the reclamation consortia, as, according to the law in force, they no longer have this obligation.

The percentages of orders transmitted by magnetic support and/or electronic flow compared to the previous year are stable at 98.6%. 86% of the entities transmit the flows by means of an IT mandate with a digital signature.

6.6 Personnel Area

Staff

The 2021 financial year was marked by the persistence of the COVID-19 health emergency, which again saw various structures of the Parent Bank engaged in the continuous implementation of the legal provisions in internal documents, in the consequent information and training of collaborators, in the definition of specific interventions to encourage adequate behaviour and ensure the safety of the workplace. Attention remained high on how customers access the branch, in order to reconcile full compliance with safety regulations with commercial and relationship needs. In the most critical phases, the procedure introduced in the previous year (first year of the pandemic) was reactivated with the aim of preventing and containing the spread of the virus, in the face of any positive cases or close contacts with positive cases. Significant efforts were made in the management of vulnerable workers and health surveillance, as well as in identifying the most suitable solutions to support employees with children during the periods when schools were closed.

In terms of space occupation, both on the Network and in the Headquarters, the provisions already implemented in 2020 were maintained to redistribute resources in order to avoid gatherings, also taking advantage of the remote working method already introduced in the previous year, which in the Headquarters touched about 60% of the staff.

The initiatives introduced in previous years continued, and in particular the activities on the theme of welfare, understood as personal and corporate "well-being", were intensified, which represents a point of increasing attention and will remain of great relevance for the next few years. To underline this aspect, health care services were expanded in 2021, guaranteeing greater coverage of medical expenses related to hospital services and introducing new coverage for cancer treatments.

Also in 2021 the company obtained the Family & Work Audit certification issued by the Autonomous Province of Bolzano, confirming the strong attention already paid to the issue of family/work balance in previous years. This certification represents in fact the recognition of what the company has already implemented in terms of family-oriented personnel policy, but at the same time commits the company to develop further initiatives in a logic of growing awareness of the importance of the family within the company policy. For this purpose, reports are planned to be presented annually to the Autonomous Province of Bolzano.

From this perspective, also in 2021 the agreement for the voluntary suspension from work was renewed with the trade unions and flexibility of working hours has also been extended to the sales network.

The proportion of part-time contracts also remained very high: at the end of 2021, 23% of employees were part-time, ensuring a better work-life balance.

An agreement on the variable bonus (PVR) was also signed with the trade unions, which will allow employees to take advantage of the tax benefits arising from the awarding of the bonus to welfare.

On the training front, despite the persistence of the COVID-19 emergency situation which forced to organise almost all the courses still with the distance channel (online and virtual classrooms), numerous training initiatives were provided in order to enhance the skills of the Group employees, also in innovative areas such as digital and Diversity & Inclusion. The training courses were developed in response to the social responsibility objectives (CSR) that the Group has set itself and in line with the regulatory, commercial and strategic needs of the company, providing for the support of the competent functions (specialist and business), as well as and control functions, where necessary.

In particular, at the beginning of February the "Sparkasse 360 operational training" course was provided by internal trainers on a relevant target of network consultants, in order to illustrate and enhance the strengths of the new financial consultancy platform launched at the end of 2020, with a focus on the different tools available to be able to effectively respond to the needs of the customer at 360 degrees.

A significant impact on the training plan of the year was given by the launch of the new 2021-2023 Business Plan, following which a path of Change Management was initiated consisting of four phases, i.e. Communication, Training, Guidance and Monitoring, with the planning of various training initiatives. In particular, at the end of the year, the "New roles and new professions" course was provided, which involved about forty network colleagues, who, following an assessment on technical knowledge, were given the opportunity to explore, together with senior consultants who are already internal trainers, how to develop qualified consultancy for a client portfolio.

Particularly rich was the training program defined for the new Virtual Consultancy Business Unit, which envisaged a complete path, from commercial envisioning to the management of remote customer communication.

On the annual professional update side for the Mifid II, Efa and Ivass certifications, various specialised webinars were provided in collaboration with the insurance companies and the reference asset management companies on topics such as innovation and sustainability. Many online contents, aimed at integrating the development of technical knowledge according to Esma and Ivass guidelines, were made available in the Training platform's catalogue. In particular, the individual consultancy and coaching project started in May with the insurance company Netinsurance, a specialist customer-oriented course in the insurance field of the respective target of competence.

In the area of loans, specific annual training courses were provided on the subject: there was in particular a large participation in Credit 2 by the Network, as a specialised course focused on achieving the ability to analyse and evaluate historical financial statements from income, equity and financial point of view, and have a perspective view based on the critical reading and reworking of the entrepreneur's business plan.

An important challenge was also the "Sparkasse Digital Factory" training project (which followed the "Sparkasse Digital Mindset" project, started at the end of 2020) which involved 40 Digital Ambassadors (i.e. collaborators who had obtained a very high score in the survey 2020 on the "Digital Mindset", highlighting high digital knowledge) and 40 Brand Ambassadors (or the so-called "Masters of Experience"), with the aim of developing innovative ideas in mixed working groups to help the Bank grow on issues with strong digital font. This has allowed, through an exchange between different people, skills and generations, to highlight the value of different know-how in order to interact in a different way in the company and with the customer.

Investments in training projects and initiatives on the theme of Diversity & Inclusion continued, in order to encourage the adoption of actions and measures aimed at promoting respect and integration between people and develop a functional cultural approach to an inclusive work environment.

The training courses continued throughout the year, in compliance with regulatory, fiscal and legal obligations (anti-money laundering, occupational safety, transparency, 231/2001, EBA LOM and more), with the launch of new procedures and products/services (such as the new internet banking for individuals, Sparkasse ON), with targeted initiatives and per professional figure, in addition to training for new employees and apprentices provided on a continuous basis.

Finally, with the entry into force of the EBA Loan Origination & Monitoring (LOM) regulation with consequent changes in the LOM system within the PEFM, courses have been scheduled at the end of the year on the Network and on the Corporate Business Unit, in order to raise colleagues' awareness of the main innovations introduced by the EBA LOM regulation on the subject of new processes for new evaluation methods.

In order to make Sparkasse attractive and to introduce the Parent Bank to young people, allowing them to enrich their school and academic career through work experience, the Bank, in 2021, has continued to collaborate with schools and universities. However, due to the persistence also in the 2021 financial year of the health emergency situation due to COVID-19, the Bank had to renounce welcoming summer trainees in its branches and organising school-work alternation courses, instead favouring internship projects in the Headquarters, which has been widely used, in particular the curricular and extracurricular projects.

In this respect, the intense collaboration with the University of Bolzano continued, with the aim of pooling training initiatives and sharing professional growth of recent graduates with potential, including through support for degree courses and academic initiatives of various kinds.

Particularly relevant was the implementation in 2021 of the project for mapping the skills of employees for which in 2020 a model for identifying technical skills and abilities was created ("soft skills") for each professional figure in the Sales Network. In the second half of the year, an assessment on technical skills was carried out: first a pilot test was started on a retail commercial area, after which there was a roll-out on all collaborators in the retail and business areas. The created model was therefore fed by the level of knowledge actually possessed by the employees, in order to obtain an objective picture of the skills present in the Bank today compared to the expected level. This project, once also completed with capacity information (planned for 2022), will make it possible to create a functional dashboard that will form the basis of staff development strategies: it will provide useful information for directing and rationalising training plans (where, for example, gaps are found between the expected level of skills and the level possessed by certain professional figures or certain staff members); it will provide objective indications of the potential of staff members in order to enhance them through targeted professional growth paths; it will make it possible to plan with greater foresight succession and turnover, particularly in key roles. In this first phase, the results of the mapping of skills on the Network proved to be useful for the purpose of identifying colleagues to be included in the "New roles and new professions" path of the 2021-2023 Business Plan which, as part of the evolution project of the commercial model, led to the new appointment as consultant for over 70 people, with relative professional development path.

Group workforce at 31.12.2021

At 31 December 2021, the number of employees with permanent/fixed-term/internship contracts amounted to 1,300 units, of which 663 women and 637 men.

A total of 957 employees, compared to 962 at the end of 2020, of which 227 with part-time contracts (231 in the previous year), are active in the province of Bolzano. A further 339 employees (326 in 2020), of which 71 part-time (68 in the previous year), are active outside of Alto Adige. Another 4 employees, of which 1 with a part-time contract, are active abroad, at the Munich office.

The number of actual employees, in service with permanent/fixed-term/internship contracts (excluding staff on leave), calculated with the "Full-time equivalent" method, i.e. by calculating part-time employees and interns in proportion to the hours of actual presence, is as follows:

	FULL-TIME EQUIVALENT EMPLOYEES		
	Permanent	Fixed-term	Internship
Cassa di Risparmio di Bolzano S.p.A. (including Munich Branch) *	1,064.26	35.00	43.20
Sparim S.p.A.	16.40		
Sparkasse Haus S.r.l.	3		
Total	**1,083.66**	**35.00**	**43.20**

*At the end of 2021, at the foreign unit in Munich there were 4 employees (3.5 calculated with the "Full-time equivalent" method), registered for all purposes abroad.

18 employees were hired on permanent contracts, 44 on fixed-term contracts, and 8 internship contracts were signed during the year; there were 62 terminations of service.

6.7 Research and development

The Parent Bank is continuing, in collaboration with IT suppliers, a plan for the development and innovation of channels and services to customers, in line with the main market trends. The main areas under development are: Digital Innovation (with an expansion of services in the area of Mobile and Internet Banking), Open Banking (with integration of the banking offer through more extensive innovative services), Pricing Customisation (for determining risk-related pricing) and Credit Management (for an efficiency boost in the processes of monitoring, disbursement and credit management) and PSD2. To allow greater availability of offer proposals to customers with an optimised time to market, the creation of the SPK HUB platform was started. A back end capable of hooking up the most innovative services made available by the best Fintechs or Companies/Startups on the market, integrated with the Company's Core Banking systems.

6.8 Real estate sector

The Group's real estate assets are wholly owned by the subsidiary Sparim S.p.A. In addition to supporting the Parent Bank in terms of management of the real estate component used in banking activities (Facility Management, Property Management, etc.), the Company is responsible for enhancing the value of the property portfolio held for investment purposes and supporting the Parent Bank in credit recovery activities by actively participating in the assignment processes (auctions) of real estate guarantees.

The company Sparim supports the Parent Bank, in compliance with the strategic guidelines defined by the same, in the identification and implementation of efficiency measures relating to the Group's real estate management; specifically, with reference to the instrumental real estate assets, Sparim oversees and manages ordinary and extraordinary maintenance activities, the fitting out and modernisation of branches and central offices and the search for any new functional spaces for banking activities.

That said, in 2021 the real estate sector recorded a positive result of Euro 15.8 million (Euro 3.3 million in 2020), equal to the net profit of the separate financial statements of the company Sparim. It should be noted that within the scope of the consolidated financial statements, intra-group components were eliminated and therefore, to this end, part of the Group's real estate revenues and costs commented on in this paragraph are not reflected in the Group's financial statements.

"Total revenues" amounted to Euro 23.5 million (Euro 13.6 million in 2020) and consists of: rental income of Euro 10.8 million (Euro 11.8 million in 2020), other revenues and income for Euro 1.1 million (Euro 1.0 million in 2020), revenues from the sale of goods for Euro 11.7 million (Euro 0.8 million in 2020).

"Operating costs" amounted to Euro 14.9 million (Euro 6.5 million in 2020); the increase compared to the previous year is mainly to be attributed to higher costs related to the item, "Change in inventories of goods".

The fair value measurement of owned real estate assets, carried out by an independent external appraiser, showed an overall positive result of Euro 0.1 million (negative for Euro 2.4 million in 2020).

The balance of the item "Income taxes for the year" is positive for Euro 7.1 million (negative for Euro 1.4 million in 2020) due to the realignment, for tax purposes, of the higher values recorded in the financial statements with reference to properties owned, pursuant to Article 110, paragraph 8, Law 104/2020 (the so-called August Decree Law).

In light of the above and the effects of taxation on the income for the year, 2021 recorded a net profit of Euro 15.8 million for Sparim.

7. OTHER SIGNIFICANT INFORMATION

7.1 Rating

The Bank does not currently have a public rating from one of the four major international rating agencies.

7.2 Listing of financial instruments issued by the Bank on the Hi-MTF market

Since 27 December 2017, the shares of the Parent Bank have been admitted to trading on the "order-driven equity" segment of the multilateral trading system managed by Hi-MTF Sim SpA. Starting from a price of Euro 8.50 at the end of December 2020, the share showed little movement especially during the first seven months of 2021 before starting a gradual increase to reach a price of Euro 9.25 at the end of November, the level at which it also closed 2021. This is the highest level recorded since mid-July 2019. The weighted average price recorded in 2021 was approximately Euro 8.63. The volume traded in 2021 on the Hi-MTF platform again recorded an interesting value, quantifiable at around Euro 5 million. The cumulative value traded on Hi-MTF from the beginning of the admission to trading exceeded Euro 17 million.

From 3 January 2018, on the other hand, senior bonds and non-convertible subordinated bonds with a minimum denomination up to and including Euro 100,000 issued by the Parent Bank are admitted to trading on the "order-driven bond" segment of the multilateral trading system managed by Hi-MTF Sim S.p.A. Limited to senior bonds, Banca Akros assumed the role of specialist from 2018 until the end of 2020. As from 1 January 2021, this role has been held by Equita Sim S.p.A.

7.3 Authorisation by the Bank of Italy to modify the ceiling reserved for the partial repurchase of instruments eligible for inclusion in the Parent Bank's own funds

On 25 October 2021, the Bank of Italy authorised Cassa di Risparmio di Bolzano to change the ceiling reserved for the partial repurchase of instruments eligible for inclusion in its own funds by increasing the Fund for the purchase of treasury shares from Euro 9 million to Euro 10 million and reducing the ceiling for the repurchase of subordinated bonds from Euro 810 thousand to Euro 500 thousand.

7.4 Liquidity provider

With the aim of facilitating the regular conduct of trading of its own shares, in compliance with the regulations in force on market abuse and the provisions of the regulation of the trading venue, the Parent Bank Cassa di Risparmio di Bolzano S.p.A. conferred on 05.07.2019 exclusively to Equita SIM S.p.A. the mandate for the performance of activities to support the liquidity of its own shares. The mandate was subsequently adjusted several times and was also effective for the entire 2021. Lastly, it was renewed at the beginning of 2022. The contract, in line with similar market transactions initiated by comparable issuers, is based on the principles contained in the accepted market practice on liquidity support, defined by Consob, without constituting a liquidity support contract. The liquidity providing activity, object of the mandate, takes place through the purchase and sale of Cassa di Risparmio di Bolzano shares on the Hi-MTF market by Equita SIM S.p.A., through the use of Bank's resources, in accordance with the prior approval issued by the Bank of Italy, most recently on 25 October 2021. The effects deriving from this activity fall exclusively on the Parent Bank, which therefore assumes the related risk. Equita SIM S.p.A. operates independently, without instructional constraints by the Parent Bank. The contractually agreed upon operating details are published at the beginning of each validity period through a price sensitive communication posted, inter alia, on the Bank's website.

7.5 Interest on TLTRO III transactions

During the course of the 2021 financial year, the Parent Bank participated in three different auctions of refinancing operations with the ECB of the TLTRO III type, one of which was aimed at increasing the total amount from Euro 1,950 million at the end of 2020 to Euro 2,150 million at the end of June 2021, which was then maintained during the second half of 2021. The remaining two holdings were aimed at reshaping and extending the maturity profile of the exposure.

With regard to the recognition of interest on these operations, following the Bank's submission of the "second report" and the "special reference period", which had to be sent to the ECB by 17 August 2021 accompanied by the auditor's certification, and concerning the performance of loans in the period 1 March 2020 - 31 March

2021, the Bank received confirmation from the Bank of Italy of the achievement of the objectives and consequently the recognition of the increase of the yield on 10 September 2021.

Given these premises, the Bank proceeded to record a total amount of Euro 16.8 million under interest income on financial liabilities.

7.6 AIRB Project

The Parent Bank Cassa di Risparmio di Bolzano is participating as a Sponsor Bank in the Pooled AIRB Cedacri Project, with the aim of requesting the Bank of Italy for authorisation to use the AIRB method for the purposes of Prudential Supervisory Reports, i.e. calculation of capital requirements on loans.

The Project required a particular attention to the revision of processes and governance of credit risk, so that they are in line with what is required by the regulations for the adoption of internal AIRB models. During 2021, several activities were completed, achieving important results in the area of Governance, Models and Processes.

The activities concerned in particular the following areas:

Bank governance

During 2021, the AIRB Bank Steering Committee was duly convened, in order to internally share the choices made by the AIRB Cedacri Steering Committee Pooled (decision-making body of the Pool Project), to monitor the progress of the project and to verify compliance with the time frame and the budget in terms of effort, highlighting and addressing any critical issues.

The Risk Management Service also updated the Board of Directors on the progress of the AIRB Project on both the Bank and Cedacri side.

Models

In the second half of 2021, the models relating to the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) risk parameters were revised in order to comply with the recommendations made by the Supervisory Authority following the inspection carried out between May and July 2021 in Cedacri and the recommendations made by the Control Functions of the Sponsor Banks. Model update activities will end in the first quarter of 2022.

The Risk Management Service has continuously maintained an active dialogue with the Cedacri Working Group, in order to contribute to the revision of the models by providing support, feedback and requesting analyses, additional in-sights and reviews for a complete understanding of the final models.

Processes

Sparkasse went into production with the AIRB Corporate Rating starting from July 2018, with the Retail Business Rating as of September 2019 and with the Private Rating in December 2019, introducing them, among others, in the processes of granting, renewal, delegations, credit monitoring and reporting.

In 2021, the Parent Bank continued to carry out fine-tuning and adjustments of the processes impacted by the new Rating system and to update the internal documentation in order to incorporate the changes introduced by the transition to the AIRB mode and the recommendations that were provided by the Bank of Italy following its inspection of Cedacri and by the Internal Control Functions.

In particular, during the year, the focus was on:

- passage into production of the new PD AIRB models (v2.2) on all segments: preparation of impact analyses and alignment to the new models of all internal processes involved;
- reallocation by the rating managers of the Corporate and Retail Business segment in order to cover the entire portfolio with the new version of the PD model;
- further strengthening of the Data Quality system on AIRB risk parameters;
- enhancement of Credit Risk reporting;
- launch of the simulations of Supervisory Reporting using the AIRB risk parameters.

In addition, in-house workshops and training meetings were held by the Bank during the year to address doubts and issues related to AIRB parameters.

During 2021, the Validation Function followed the developments in the Pooled AIRB Project and the related discussions with the Supervisory Authority, taking an active part in discussions with the Bank of Italy on specific issues.

In particular, the activities of the Validation Function focused on:

- verification of the acknowledgement of the requests made by the Bank of Italy on the rating models;
- execution of backtesting activities on the PD, LGD and EAD models presented to the Bank of Italy;
- update of the overall assessment of the AIRB Rating System reported in a specific summary report.

In the 2021 financial year, the Internal Audit Function has issued two Information Notes to the Corporate Bodies relating to application controls on the AIRB IT systems, issued on 27 January 2021 and 23 June 2021 respectively. Internal Audit also revised the process verification on Rating Attribution, also in the light of the new definition of default, formalised in the Ordinary Audit Report - Rating Attribution (AIRB): new definition of default of 28 December 2021.

In line with the Function's methodological approach, the findings - which were shared with the key managers on a case-by-case basis - were also presented to the Corporate Bodies. In line with the approach followed so far, the results relating to the monitoring of the corrective actions taken overall were also presented to the Bodies at least quarterly.

7.7 Sparkasse secured bond issuance programme

The Programme represents an opportunity to equip the Parent Bank with a highly competitive funding tools, in terms of medium/long-term funding capacity, cost of funding and optimisation of structural liquidity profiles.

The Programme will make it possible to take advantage of a medium/long-term financing channel suitable for meeting the Parent Bank's structural financing needs by providing an additional funding channel to the current financing ones.

In this regard, please note that the Board of Directors of Sparkasse has approved on 7 December 2021 the acquisition of a controlling interest in the newly established special purpose entity and the presentation of the application to the Bank of Italy for the inclusion of this special purpose entity in the Cassa di Risparmio di Bolzano Group. In the application to the Bank of Italy, sent on 20 January 2022, the request for the acquisition of 60% of the special purpose entity was included.

8. SUBSEQUENT EVENTS TO THE 31 DECEMBER 2021

8.1 Communication on the value of the Atlante Fund and distribution of shares

On 28 January 2022, a communication from Dea Capital Alternative Fund Sgr was received, indicating the unit value of the shares of the Atlante Fund at 31 December 2021. With reference to the shares held by Sparkasse, the value communicated is only immaterially different from the value recognised in the financial statements.

In addition, on 9 March 2022 it was announced that the seventh distribution from the Atlante Fund will be made with a value date of 11 March 2022, amounting to Euro 44,716.43 for Sparkasse.

8.2 Automatic renewal for the performance of the liquidity support activity of the shares issued by the bank traded on the "order-driven equity" segment of the multilateral trading system managed by HI-MTF SIM S.p.A.

As the contract signed by the Cassa di Risparmio di Bolzano - Sparkasse (the "Bank") and Equita Sim S.p.A. ("Equita" or "Intermediary") expired on 31 December 2021, by virtue of which the Bank exclusively entrusted Equita with the performance of an activity aimed at supporting the liquidity of the shares it had issued ("Shares") and traded on the "order-driven equity" segment of the multilateral trading system managed by Hi-Mtf Sim S.p.A. ("Hi-Mtf Market"). ("Hi-Mtf Market"), the same, in accordance with the provisions of the same contract, was tacitly renewed for a period of six more months and therefore until 30 June 2022.

8.3 DTA transfer deferral for tax period 2021

It should be noted that Decree Law no. 17 of 1 March 2022, on "Urgent measures for the containment of electricity and natural gas costs, the development of renewable energies and the relaunch of industrial policies" was published in the Official Gazette on the same date.

In the aforementioned decree, in article 42, paragraph 1, the following is provided. "The deduction of the 12 percent share of the amount of the negative components provided for, as regards corporate income tax and the regional tax on productive activities, respectively by paragraphs 4 and 9 of Article 16 of decree law no. 83, of 27 June 2015, converted, with amendments, by Law no. 132 of 6 August 2015, for the tax period in progress at 31 December 2021, is deferred, on a straight-line basis, to the tax period in progress at 31 December 2022 and the following three periods".

The decree enters into force on the day following that of its publication in the Official Gazette and its validity from its origin is subject to its conversion into law within 60 days of approval.

According to the provisions of the accounting standards, the amendment of article 42 of Decree Law no. 17 above is configured as a "*non-adjusting event*" and therefore was not incorporated in the preparation of the accounting situation at 31 December 2021.

The measure contained in the decree is of interest to the banking system and if it were to be confirmed upon conversion, it would have an impact, albeit transitory and absolutely not relevant for the Group.

8.4 CiviBank takeover bid, fulfilment of the antitrust condition

With reference to the totalitarian voluntary takeover bids, promoted by the consolidating entity Cassa di Risparmio di Bolzano, concerning the ordinary shares and the warrants of Banca di Cividale, in the session held on 18 January 2022, the Antitrust Authority approved not to initiate the investigation pursuant to article 16, paragraph 4, of Law no. 287 of 10 October 1990 regarding the purchase transaction.

Therefore, the Antitrust Condition, indicated in the Sparkasse Communication as one of the Conditions of Effectiveness of the Offer on the Shares, has been fulfilled and the authorisation process for the transaction is proceeding positively.

There are no other events after 31 December 2021 that may materially affect the consolidated results for the period.

COVID-19 EMERGENCY DISCLOSURE

COVID-19 financial disclosure

It should be noted that Consob, with the document "Warning Notice no. 1/21" of 16 February 2021, has provided important indications regarding the information that will be included in the Disclosure relating to the annual financial reports of 2020 and beyond, fully implementing the recommendations provided by ESMA in the document on the "European common enforcement priorities for 2020 annual financial reports" of 28 October 2020 which, in light of the consequences of the COVID-19 pandemic, highlights the areas of particular importance for the purpose of preparing the financial statements.

The areas identified in the document are:

- the application of IAS 1 "Presentation of Financial Statements", with reference to the critical issues related to the existence of the going concern assumption, to the causes of uncertainty on accounting estimates, as well as to the representation of items impacted by COVID-19;
- the application of IAS 36 "Impairment of assets", in relation to the methods for determining the recoverable amount of goodwill and of intangible and property, plant and equipment that may be impacted by the deterioration of economic prospects;
- the application of IFRS 9 "Financial instruments" and IFRS 7 "Financial instruments: Disclosures", in consideration of the risks associated with financial assets and liabilities, with particular attention to liquidity risk and the measurement of expected credit losses by credit institutions;
- the application of IFRS 16 "Leases", in relation to the specific problems related to the consequences of COVID-19.

The Issuers that prepare the financial statements according to the provisions of the Bank of Italy for banking intermediaries, adopted pursuant to Art. 43 of Legislative Decree no. 1366 of 18 August 2015, take into account the specific guidelines that the European regulatory and supervisory bodies (EBA, ESMA, ECB) as well as the IFRS Foundation have addressed to credit institutions with regard to the application of IFRS 9 with regard to the measurement of expected credit losses.

These include the instructions provided by the ECB Banking Supervision to all significant banks in its letter of 4 December 2020 as well as those provided by the Bank of Italy in its Communication of 15 December 2020, whereby banks were requested to provide, starting from the financial statements ended or in progress at 31 December 2020, specific information on the effects that COVID-19 and the measures to support the economy have had on the risk management strategies, objectives and policies, as well as on the economic and financial position of the intermediaries.

In a communication dated 21 December 2021, the Bank of Italy updated the additions to the provisions of Circular no. 262 "The bank financial statements: formats and rules for preparation" concerning the impact of COVID-19 and measures to support the economy.

This communication updates the additions to the provisions governing the banks' financial statements (Circular no. 262 of 2005) in order to provide the market with information on the effects that the COVID-19 and the measures to support the economy have had on the risk management strategies, objectives and policies, as well as on the economic and financial position of the intermediaries.

The aim of these updates is to integrate the financial statements of banks and other intermediaries according to the developments of EU legislation on the treatment of moratoria, the recent updates to the reporting and financial statements and the amendments to IFRS 16 "Leases" related to COVID-19. In particular, with respect to COVID-19 moratoria, banks and other intermediaries will be required to disclose "Loans subject to moratorium measures in place no longer compliant with guidelines and not assessed as subject to forbearances" i.e., those outstanding moratoria exposures that were rated as compliant with EBA/GL/2020/02 at the date the measure is granted and are no longer compliant at the reporting date and that have not been classified by the bank as "forborne exposures".

The provisions attached to the communication apply starting from the financial statements ended or in progress at 31 December 2021 and the comparative data must be presented by applying also to the data of the previous year (T-1). As regards the temporary nature of the COVID-19 emergency and the support measures, the additions to the related budget provisions remain in force until otherwise communicated by the Bank of Italy.

The Bank's and the Group's management has monitored and continues to monitor the development of the still unfinished COVID-19 emergency, with continuing concerns related to the impact the pandemic will have on economic trends. It reaffirms how the pandemic phenomenon caused by COVID-19 may also negatively affect the results of the Bank and the Group for 2022. The Management and Control bodies are very carefully assessing the prospect of the continuation of the Bank's business activities.

Following is a set of information in relation to the impacts of COVID-19 on the 2021 economic performance and financial position of the Cassa di Risparmio di Bolzano Group, with a brief description of the progress and results of the measures adopted to address and mitigate the impacts of COVID-19 on operations and results of operations.

Cost of credit risk and the situation of the moratoria that were granted following the emergence of the COVID-19 pandemic

It should be noted that the Parent Bank Cassa di Risparmio di Bolzano, already from June 2020, in an economic context characterised by the COVID-19 pandemic, has conducted an in-depth analysis of the quality of its loan portfolio in order to identify customer groups particularly sensitive to the health crisis with the aim of defining a management strategy for the following months and years. These activities continued throughout 2021.

The areas on which attention has been focused, in order to maintain strict control over the loan portfolio, are as follows:

- strengthening the monitoring of moratorium positions;
- strengthening the monitoring of economic sectors particularly impacted by the health crisis;
- provisioning models in view of the end of 2021.

Based on the evidence gathered both in the analysis phase and in the context of ordinary credit management operations, the Parent Bank has set up a strategy based on three areas of intervention to address the potential impacts related to the health emergency:

- reporting and Covid Meeting: careful monitoring of the loan portfolio with a focus on the moratoria and on the sectors potentially impacted by the health crisis, in order to promptly identify signs of deterioration and related corrective actions;
- detailed analysis on sectors and customer classes: targeted interventions on weak customers or those to be monitored with a forward-looking assessment in order to avoid the "cliff effect" of non-performing loans and appropriately manage the exit from moratoria;
- provisioning and macroeconomic framework: careful monitoring and adjustment of provisioning on performing loans.

The strategy adopted by Sparkasse to deal with the health emergency, a strategy adopted also throughout the entire 2021 period, in addition to updating the macroeconomic estimates of the satellite model, also focused on "customers to be monitored" and "weak customers" of the Corporate and Retail Business segments (customer brackets that present a higher risk of slipping into stage 2), for which in-depth analyses of creditworthiness and financial needs can help to better manage also the post-moratorium phase with the best possible estimation of possible hedges (if the latter prove inadequate compared to the actual riskiness of the position).

To be noted is that from October 2020, specific extractions were carried out on the credit portfolio of the Corporate and Retail Business segment, on the weak customer segments and those to be monitored belonging to the sectors identified as those most affected by the health emergency: real estate, accommodation and catering, manufacturing, wholesale and retail trade, transport, rental and travel agencies, arts, sports and entertainment.

On the selected portion of the portfolio, through the rating assignment and override process, also in the second half of 2020, a forward-looking assessment of the customer's risk profile was carried out, carefully considering the reference sector and the positioning of the customer, the business prospects assessed in the context of the current health emergency and the verification of any evidence of financial difficulties (e.g. prejudicial, etc.) that were actually occurring.

The measures identified and shared at the Covid Meeting have allowed anticipating the impact of a potential deterioration of the weakest customers and allowing a careful management of the exit from the moratoria avoiding the so-called "cliff effect" of non-performing loans.

The main monitoring activities of the moratoria on which Sparkasse has focused in 2021, can be summarised as follows:

• enhanced monitoring of the trend of the available balance on the current account and of the first instalment due post-moratorium to verify the sustainability of the amortisation carry-over;

• sending lists to the Network (branches and managers) with the indication to check with the customer the state of the financial position, in order to activate corrective actions as soon as possible to avoid overdue positions;

• sending communications to customers regarding any amortisation carry-over with communication of the residual debt, instalment due/amortisation carry-over, instalment amount;

• constant updating of analyses and estimates on any economic impacts of positions and/or sectors at potential risk of deterioration with a consequent increase in the cost of credit;

• for extensions of short-term lines executed under the "Cura Italia Decree", forwarding of a list of positions to the Network structures, with a request to contact customers in order to identify as soon as possible any need for consolidation and/or refinancing of maturing advances, e.g. by means of secured loans;

• for the moratoria expiring in 2021 (excluding private individuals) and on the stock of the recovery of payments of the last months of 2021, request to the Network structures for an update on the forecast of regular amortisation carry-over;

• recently, sending to the Network structures an updated list of all the moratoria still in place with an indication of the residual debt and the date of amortisation carry-over, in order to allow each operator to adopt a proactive attitude towards the most exposed customers.

As regards the moratoria, at 31 December 2021, the vast majority of the forbearances have been concluded; with reference to medium/long-term loans, at Sparkasse the following were outstanding at that date:

- 93 moratoria granted to private counterparties, for a gross exposure of Euro 19,912 thousand, of which 79 for a gross exposure of Euro 17,326 thousand have been extended;
- 218 moratoriums granted to corporate counterparties, for a gross exposure of Euro 165,434 thousand, of which 91 for a gross exposure of Euro 56,685 thousand have been extended.

The counterparties and volumes reported above refer to the entire portfolio (performing, past due, UTP). In addition to these positions, there are EUR 18.4 million of expired moratoriums and EUR 101.3 million of moratoriums classified as forborne as at 31st December 2021.

Financial instruments measured at fair value

With reference to the 2021 financial statements, Sparkasse updated the measurement of financial instruments at fair value on the basis of current market conditions, in line with the provisions of IFRS 13 and the relevant Group Policy. In particular, for investments at fair value that derive their value directly, in the case of listed securities, or indirectly, in the case of investments closely linked to instruments that are listed/valued at market multiples, from market prices (therefore valued using methods attributable to fair value levels 1 and 2), the valuations were updated on the basis of stock market prices. With reference to the portfolio of financial assets mandatorily measured at fair value (due to failure of the SPPI test), at 31 December 2021 capital losses totalling Euro 4,616 thousand were recognised in the income statement. With reference to financial assets measured at fair value through other comprehensive income, the 2021 result was positive for Euro 3,714 thousand (before taxation) excluding the effect of the sale of the investment in Cedacri.

Impairment testing of goodwill, intangible assets, leases and equity investments

In the current economic situation, which is still partially affected by the impact of the COVID-19 pandemic, it is particularly delicate to check the value of intangible assets. At 31 December 2019, the Parent Bank Cassa di Risparmio wrote-down in full the goodwill recorded following the acquisition of the former Banca Sella business unit in 2013. Therefore, at 31 December 2021, no goodwill was recognised in the financial statements of the Sparkasse Group.

With regard to intangible assets with a finite useful life, no critical factors emerged on the retention of the recoverable amount, also in consideration of the amortisation process that reduced their carrying amounts compared to the original recognition values.

With reference to equity investments, it was deemed that there are currently no elements to verify and evaluate the impacts of the pandemic, considering that these valuations are mainly based on the future cash flows generated by the investee companies. Therefore, the valuation process of equity investments, mainly takes into account situations related to stress-independent structural factors associated with the continued spread of the virus of COVID-19.

Prospects

The current situation of absolute uncertainty, with a scenario still characterised on the one hand by the effects resulting from the trend of the COVID-19 pandemic and on the other hand conditioned by the developments of the war that recently broke out in Ukraine, does not allow us to predict today the economic and financial trends for 2022 with a high degree of accuracy. Limited to the phenomenon linked to the COVID-19 virus, the phase of epidemic contraction continues in Italy, albeit with significant differences between the individual regions.

The constant reduction in the number of new cases in our country, in addition to the normal dynamics with which epidemic waves are expressed, must be attributed to two concomitant elements: on the one hand the high level of vaccinations now achieved in the general population, and on the other the high level of immunity achieved through the illness and the subsequent healing.

Taking into account the foregoing, the expected assessment should therefore necessarily refer to the forecasts of the national/international organisations which have recently, while maintaining the estimates of a growing GDP for 2022, revised down the assumptions made in the last part of 2021.

Even within the context outlined above, for 2022, Sparkasse believes that it will be able to further enhance the relationship of trust established with its customers with benefits that should allow it to consolidate the satisfactory level of profitability achieved, in particular as regards components relating to the Net interest income and the Income from services.

It is also worth underlining the further increase in the already good level of capitalisation, with the phased in capital ratios at the end of 2021 significantly increasing compared to the values at the end of 2020, despite the increase in loans to customers and the reduction in the positive effects of the transitional regime. The level of capital solidity should further benefit from the validation by the Bank of Italy, expected in 2022, of the advanced internal rating models.

IMPACTS OF THE RUSSIAN-UKRAINIAN CONFLICT

The invasion of Russia into Ukraine, considered unlikely until recently by most professional investors and geopolitical experts, has led to an increase in volatility on the financial markets that is affecting all the main asset classes, both those considered less risky such as government bonds of the "core" countries of the Eurozone, and those that are riskier such as high yield bonds and shares. The United States, the European Union and other countries have reacted with severe financial sanctions against Russia, including selective exclusion from the international Swift circuit (with the risk of non-negligible consequences also on the European economy), exacerbating the risks of an interruption in the supply of gas and oil; the ban on transactions with the Bank of Russia is effectively blocking access to most of the foreign exchange reserves.

With reference to the direct impact on Sparkasse's economic and financial situation, it should be noted that at the moment the impact is minor and is linked not so much to the Bank's limited operations with the countries directly affected by the conflict, but rather to the corrections in value and the aforementioned volatility of the financial markets.

In detail, the Parent Bank has no exposures to Russian or Belarusian banks regarding confirmation of letters of credit and/or non-recourse discounts or deferred commitments and there are no counter-guarantees from banks in those countries against guarantees in favour of third parties. Sparkasse has granted advances to two customers with a risk towards the countries concerned for an amount that can be considered negligible (equivalent to Euro 0.15 million).

The Parent Bank has also activated all the supervisory measures for due diligence on collections/payments to and from Russia, Belarus and Ukraine, setting the amount of tolerance at zero.

As regards financial assets held, there are no direct exposures to Russia and/or Belarus.

Among the UCITS units in the portfolio, three funds hold Gazprom bonds, the total amount of which indirectly held by Sparkasse amounts to approximately Euro 0.3 million. Finally, there are no stocks in RUB as regards the foreign currency accounts held by the Bank.

With reference to market trends and financial assets held by the Cassa di Risparmio Group, the impacts recorded to date refer to the corrections in value that have affected the securities held within the portfolio characterised by the HTCS business model and the securities whose evaluation mandatorily impacts on the income statement. The effect is also being maintained within a range of volatility which can be considered physiological and which at the moment does not risk compromising the good profitability of Sparkasse's financial sector.

The management of the Cassa di Risparmio di Bolzano Group is continuously monitoring the evolution of the situation, and is ready to implement all the measures that may become appropriate/necessary in order to protect the interests of its customers and to avoid repercussions as regards returns from the Bank's operations carried out on financial markets.

9. BUSINESS OUTLOOK

The pandemic phenomenon linked to the spread of the COVID-19 virus, with the new infections that should have reached a peak in the very first months of 2022, without the need for new tightening of containment measures, should at least temporarily limit their negative effects in the short term, especially with reference to consumer behaviour and mobility. The spread of the epidemic is therefore expected to subside from the spring, thanks also to further progress in the vaccination campaign. Unfortunately, the effect of the rise in the prices of raw materials is worsening and is emerging more and more as a critical situation that is beginning to put businesses and families in crisis.

The major concerns in recent weeks have been focusing more and more on the war in Ukraine and on the consequences and repercussions of this conflict on the economy and financial markets, as well as, of course, on the risk that the clash will extend to involve all the major world powers and resulting in significant sacrifices in terms of human lives.

Having said this and trusting in an improvement in the situation, it should also be adequately underlined that 2021 was, for the banking system in general and for Sparkasse in particular, an extremely positive year as regards the financial results achieved.

In this regard, it should be noted that in April 2021, the Board of Directors of the Parent Bank Cassa di Risparmio has approved the Business Plan for the three-year period 2021 - 2023. With the new plan, the Parent Bank has set itself the objective, while maintaining its independence, of positioning itself as one of the most solid banks in Italy, with a marked sensitivity to issues of sustainability and innovation at the service of families and businesses in the territories in which it operates, wanting to pursue an ability to generate satisfactory profitability. The planned path intends to further enhance what has already been achieved with the previous Strategic Plan, the objectives of which have been achieved and exceeded in advance.

Already 2021 showed a trend, in terms of growth and commercial performance, which has enabled Sparkasse to exceed the forecasts set forth in the document with reference to the first year considered in the plan.

Cassa di Risparmio is therefore confident that in 2022 the excellent performance of the previous year will be largely replicated, net of the one-off components that made 2021 the year with the best result in the history of the bank.

The risk linked to the credit sector, thanks also to the careful and precise derisking policy carried out by the bank in recent years, should not, unless there is a sudden shock or worsening of the economic situation, represent a component that would compromise or significantly condition Sparkasse's good profitability prospects for 2022.

The current year could also see the birth of a new Group which, also in terms of size, would make it possible to achieve important economies of scale thanks to the creation of industrial synergies that would further strengthen the two banks.

10. NON-FINANCIAL STATEMENT

It should be noted that the Group has decided to prepare the non-financial statement in a separate Report that will be posted on the website of the Parent Bank www.sparkasse.it, within the terms provided by the regulations.

Statement of reconciliation of consolidated shareholders' equity

Statement of reconciliation of consolidated shareholders' equity

Statement of reconciliation between:

- the shareholders' equity and profit for the year of the Parent Bank and
- the consolidated shareholder' equity and profit for the year.

(figures in thousands of Euro)

	Shareholders' equity	Profit (loss) for the year
Shareholders' equity and profit for the year of the Parent Bank	**816,573**	**71,319**
Difference between carrying amount and pro-rata value:		
- of the carrying amount of equity investments	55,420	0
- of companies consolidated at equity	0	0
Gains from disposal of equity investments	0	0
Change in consolidated deferred taxes	398	215
Pro-rata result achieved by the subsidiaries	15,284	15,284
Pro-rata result achieved by the companies consolidated at equity	384	384
Elimination of the effects of transactions between Group companies:		
- Dividends of the subsidiaries collected during the year	(11,000)	(11,000)
- Dividends of companies subject to significant influence, collected during the year	0	0
- Reversal of value adjustments to consolidated equity investments	0	241
- Effect of the application of IFRS 16 to Group companies	831	279
Adjustment to Group accounting standards:		
- Measurement at cost and revaluation model of the capital properties (in the subsidiary at FV)	(8,366)	(4,113)
Consolidated shareholders' equity and profit for the year	**869,524**	**72,609**
Shareholders' equity and profit/(loss) of minority interests	**12**	**0**

Consolidated Financial Statements

Consolidated balance sheet

Consolidated income statement

Consolidated statement of comprehensive income

Statement of changes in consolidated shareholders' equity

Consolidated cash flow statement

CONSOLIDATED BALANCE SHEET - ASSETS

	Asset items	31.12.2021	31.12.2020
10.	Cash and cash equivalents	119,146	101,935
20.	Financial assets measured at fair value through profit or loss	293,206	264,003
	a) financial assets held for trading	51,129	50,078
	b) financial assets designated at fair value		
	c) other financial assets mandatorily measured at fair value	242,077	213,925
30.	Financial assets measured at fair value through other comprehensive income	375,426	125,532
40.	Financial assets measured at amortised cost	9,875,020	9,119,970
	a) loans to banks	539,307	530,237
	b) loans to customers	9,335,713	8,589,734
50.	Hedging derivatives	5,588	
60.	Value adjustment of financial assets subject to macro-hedging (+/-)	(5,403)	4,055
70.	Equity investments	6,384	
90.	Property, plant and equipment	317,795	316,691
100.	Intangible assets	17,043	12,139
	- goodwill		
110.	Tax assets	95,599	136,864
	a) current	802	11,947
	b) deferred	94,798	124,917
120.	Non-current assets and groups of assets held for sale	929	9,289
130.	Other assets	190,195	165,580
	Total Assets	**11,290,928**	**10,256,058**

CONSOLIDATED BALANCE SHEET - LIABILITIES

	Liabilities and shareholders' equity items	31.12.2021	31.12.2020
10.	Financial liabilities measured at amortised cost	10,096,301	9,183,225
	a) due to banks	2,335,732	2,102,438
	b) due to customers	7,664,491	6,986,078
	c) securities issued	96,078	94,710
20.	Financial liabilities held for trading	508	221
30.	Financial liabilities designated at fair value	14,275	14,802
40.	Hedging derivatives	504	5,159
60.	Tax liabilities	5,610	19,476
	a) current	4,316	415
	b) deferred	1,294	19,061
70.	Liabilities associated with assets held for sale	507	483
80.	Other liabilities	235,325	170,096
90.	Employee severance indemnity	673	771
100.	Provisions for risks and charges	67,687	79,594
	a) commitments and guarantees issued	8,623	10,573
	b) pension and similar obligations	46,170	51,858
	c) other provisions for risks and charges	12,893	17,163
120.	Valuation reserves	6,449	32,199
140.	Equity instruments	45,228	45,228
150.	Reserves	131,978	58,718
160.	Share premiums	151,257	151,270
170.	Share capital	469,331	469,331
180.	Treasury shares (-)	(7,326)	(4,830)
190.	Equity attributable to minority interests (+/-)	12	12
200.	Profit (loss) for the year (+/-)	72,609	30,303
	Total liabilities and shareholders' equity	**11,290,928**	**10,256,058**

CONSOLIDATED INCOME STATEMENT

	Income statement items	31.12.2021	31.12.2020
10.	Interest income and similar revenues	164,310	153,871
	of which: interest income calculated using the effective interest method	124,532	118,437
20	Interest expense and similar charges	(14,947)	(14,516)
30.	**Net interest income**	**149,363**	**139,355**
40.	Fee and commission income	97,658	87,378
50.	Fee and commission expense	(3,657)	(4,284)
60.	**Net fee and commission income**	**94,001**	**83,094**
70.	Dividends and similar income	837	1,456
80.	Net profit (loss) from trading	1,505	629
90.	Net profit (loss) from hedging	785	(490)
100.	Gains (losses) on disposal or repurchase of:	28,916	9,277
	a) financial assets measured at amortised cost	28,428	9,068
	b) financial assets measured at fair value through other comprehensive income	492	365
	c) financial liabilities	(4)	(156)
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	(4,090)	(4,326)
	a) financial assets and liabilities designated at fair value	526	480
	b) other financial assets mandatorily measured at fair value	(4,616)	(4,806)
120.	**Net interest and other banking income**	**271,318**	**228,995**
130.	Net value adjustments/write-backs for credit risk relating to:	(12,680)	(14,503)
	a) financial assets measured at amortised cost	(12,625)	(14,878)
	b) financial assets measured at fair value through other comprehensive income	(55)	374
140.	Gains/losses from contractual amendments without cancellations	(54)	(30)
150.	**Net income from financial management**	**258,584**	**214,462**
190.	Administrative expenses:	(167,069)	(158,364)
	a) personnel expenses	(91,791)	(88,393)
	b) other administrative expenses	(75,278)	(69,971)
200.	Net allocations to provisions for risks and charges	(316)	(7,936)
	a) commitments and guarantees issued	1,950	(1,435)
	b) other net allocations	(2,265)	(6,502)
210.	Net value adjustments/write-backs to property, plant and equipment	(12,256)	(11,346)
220.	Net value adjustments/write-backs to intangible assets	(3,657)	(2,343)
230.	Other operating income/expenses	17,612	13,820
240.	**Operating costs**	**(165,686)**	**(166,168)**
250.	Gains (losses) on equity investments	384	
260.	*Net result from fair value measurement of property, plant and equipment and intangible assets*	(2,427)	(2,150)
270.	Value adjustments to goodwill		
280.	Gains (losses) from disposal of investments	2,443	33
290.	**Profit (loss) from current operations before tax**	**93,298**	**46,175**
300.	Income taxes for the year on current operations	(20,289)	(15,583)
310.	**Profit (loss) from current operations after tax**	**73,009**	**30,592**
320.	Profit (loss) from discontinued operations after taxes	(400)	(289)
330.	**Profit (loss) for the year**	**72,609**	**30,303**
340.	Profit (loss) for the year attributable to minority interests		
350.	**Profit (loss) for the year attributable to the Parent Bank**	**72,609**	**30,303**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2021	31.12.2020
10.	**Profit (loss) for the year**	72,609	30,303
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities designated at fair value through other comprehensive income	(25,935)	13,500
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)		
40.	Hedging of equity securities designated at fair value through other comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit plans	1,739	(1,658)
80.	Non-current assets held for sale		
90.	Portion of valuation reserves of equity-accounted investments		
	Other income components net of taxes with reversal to the income statement		
100.	Foreign investment hedges		
110.	Exchange rate differences		
120.	Cash flow hedges		
130.	Hedging instruments (non-designated elements)		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(677)	(1,901)
150.	Non-current assets and groups of assets held for sale		
160.	Portion of valuation reserves of equity-accounted investments		
170.	**Total other income components net of taxes**	**(24,874)**	**9,941**
180.	**Comprehensive income (Item 10+170)**	**47,735**	**40,244**
190.	Consolidated comprehensive income attributable to minority interests		
200.	**Consolidated comprehensive income attributable to the Parent Bank**	**47,735**	**40,244**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.12.2021

				Allocation of previous year result		Change in the period									Group shareholders' equity at	Shareholders' equity of minority interests at
	Balance at 31.12.2020	Change in opening balances	Balance at 01.01.2021	Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity - Issue of new shares	Transactions on shareholders' equity - Purchase of treasury shares	Transactions on shareholders' equity - Extraordinary dividend distribution	Transactions on shareholders' equity - Change in equity instruments	Transactions on shareholders' equity -	Transactions on shareholders' equity - Stock options	Transactions on shareholders' equity - Changes in equity	Comprehensive income for the period 31-12-2021	31-12-2021	31-12-2021
Share capital	469,340		469,340												469,330	10
a) ordinary shares	469,340		469,340												469,330	10
b) other shares																
Share premiums	151,272		151,272				(13)								151,257	2
Reserves	58,718		58,718	11,907		61,353									131,978	
a) profit	60,096		60,096	11,907		61,353									133,356	
b) other	(1,378)		(1,378)												(1,378)	
Valuation reserves	32,199		32,199			(877)								(24,874)	6,449	
Equity instruments	45,228		45,228												45,228	
Treasury shares	(4,830)		(4,830)					(2,497)							(7,327)	
Profit (loss) for the period	30,303		30,303	(11,907)	(8,398)				(9,998)					72,609	72,609	
Group shareholders' equity	782,218		782,218		(8,398)	60,476	(13)	(2,497)	(9,998)					47,735	**869,524**	
Shareholders' equity of	12		12													**12**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.12.2020

				Allocation of previous year result		Change in the period									Group shareholders' equity at	Shareholders' equity of minority interests at
	Balance at 31.12.2019	Change in opening balances	Balance at 01.01.2020	Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity - Issue of new shares	Transactions on shareholders' equity - Purchase of treasury	Transactions on shareholders' equity -	Transactions on shareholders' equity - Change in equity instruments	Transactions on shareholders' equity -	Transactions on shareholders' equity -	Transactions on shareholders' equity -	Comprehensive income 31.12.2020	31.12.2020	31.12.2020
Share capital	469,340		469,340												469,330	10
a) ordinary shares	469,340		469,340												469,330	10
b) other shares																
Share premiums	151,277		151,277				(5)								151,270	2
Reserves	31,288		31,288	29,335		(1,905)									58,718	
a) profit	32,666		32,666	29,335		(1,905)									60,096	
b) other	(1,378)		(1,378)			0									(1,378)	
Valuation reserves	22,086		22,086			172								9,941	32,199	
Equity instruments	45,228		45,228												45,228	
Treasury shares	(3,234)		(3,234)					(1,596)							(4,830)	
Profit (loss) for the period	29,335		29,335	(29,335)										30,303	30,303	
Group shareholders' equity	745,309		745,309			(1,733)	(5)	(1,596)						40,244	**782,218**	
Shareholders' equity of	12		12													**12**

CASSA DI RISPARMIO DI BOLZANO GROUP 31.12.2021

Statement of reconciliation between the profit for the period and the profit that contributes to the calculation of Common Equity Tier 1

amounts in Euro

Profit for own funds purposes

Cassa di Risparmio	Sparim	Raetia	intra-group consolidated derecognitions and adjustments	Cr Bz profit allocated to dividends	**Profit for own funds purposes**
71,318,999	15,805,575	(400,683)	(14,378,172)	(20,000,000)	**52,345,719**

Consolidated profit for the year

Cassa di Risparmio	Sparim	Raetia	Sparkasse House	Fanes	Dolomit	intra-group consolidated derecognitions and adjustments	**Consolidated profit for the year**
71,318,999	15,805,575	(400,683)	(121,091)	0	0	(13,994,053)	**72,608,747**

Reconciliation between profit for the year and profit for own funds

Consolidated profit for the year	Sparkasse Haus reversal	Fanes reversal	Dolomit reversal	reversal of intra-group consolidated derecognitions and adjustments	Cr Bz profit allocated to dividends	**Profit for own funds purposes**
72,608,747	121,091	0	0	(384,119)	(20,000,000)	**52,345,719**

Details of consolidated intra-group derecognitions and adjustments	
241,272	Reversal of income components of Raetia SGR SpA
-11,000,000	Reversal of the dividend of Sparim SpA
-3,619,444	Reversal of IFRS 16 and property effect (delta amortisation+gains on disposal)
384,119	Contribution of profit from consolidation according to Autosystem spa NE method
-13,994,053	**Total intra-group consolidated derecognitions and adjustments**

CONSOLIDATED CASH FLOW STATEMENT - Indirect method

A. OPERATING ACTIVITIES	31.12.2021	31.12.2020
1. Management	**44,881**	**13,962**
- profit (loss) for the year (+/-)	72,609	30,303
- capital gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	4,141	4,684
- capital gains/losses on hedging activities (-/+)	(785)	491
- net value adjustments/write-backs for credit risk (+/-)	10,561	14,503
- net value adjustments/write-backs to property, plant and equipment and intangible assets (+/-)	15,913	13,689
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	316	7,936
- unpaid taxes, duties and tax credits (+)	(26,572)	(15,789)
- net value adjustments/write-backs to discontinued operations net of the tax effect (+/-)	400	289
- other adjustments (+/-)	(31,702)	(42,144)
2. Cash flow generated from/used in financial assets	**(959,627)**	**(621,173)**
- financial assets held for trading	(1,126)	5,529
- financial assets designated at fair value		
- other assets mandatorily measured at fair value	(29,178)	(6,922)
- financial assets measured at fair value through other comprehensive income	(212,982)	489,560
- financial assets measured at amortised cost	(730,859)	(1,112,024)
- other assets	14,518	2,684
3. Cash flow generated from/used in financial liabilities	**979,480**	**599,531**
- financial liabilities measured at amortised cost	909,888	670,919
- financial liabilities held for trading	287	(585)
- financial liabilities designated at fair value	(1)	(18,153)
- other liabilities	69,306	(52,651)
Net cash flow generated from/used in operating activities	**64,734**	**(7,679)**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated from	**12,349**	**1,905**
- sales of equity investments		
- dividends collected on equity investments		
- sales of property, plant and equipment	12,349	1,905
- sales of intangible assets		
- sales of business units		
2. Cash flow used in	**(37,435)**	**(26,007)**
- purchases of equity investments	(6,000)	
- purchases of property, plant and equipment	(22,650)	(19,137)
- purchases of intangible assets	(8,785)	(6,870)
- purchases of business units		
Net cash flow generated from/used in investment activities	**(25,086)**	**(24,102)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	(2,510)	(1,601)
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	(19,928)	(1,795)
Net cash flow generated from/used in funding activities	**(22,438)**	**(3,396)**
NET CASH FLOW GENERATED FROM/USED DURING THE YEAR	**17,210**	**(35,178)**

Key: (+) generated; (-) used

CONSOLIDATED CASH FLOW STATEMENT - Reconciliation

	31.12.2021	31.12.2020
Cash and cash equivalents at the beginning of the year	101,935	137,113
Total net cash flow generated from/used during the year	17,210	(35,178)
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at the end of the year	**119,145**	**101,935**

Notes to the consolidated financial statements

Part A - Accounting policies

A.1 - General part

Section 1 - Declaration of compliance with international accounting standards

These financial statements were drawn up in accordance with the current International Financial Reporting Standards (IFRS, formerly IAS), as adopted by the European Union, and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The application of international accounting standards is also carried out with reference to the "Framework for the preparation and presentation of financial statements".
Below is a list of the IAS/IFRS in force, as endorsed by the European Commission, which have been adopted for the preparation of these financial statements:

IFRS 3 Business Combinations
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IFRS 15 Revenue
IFRS 16 Leases
IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash Flows
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events After the Reporting Period
IAS 12 Income Taxes
IAS 16 Property, Plant and Equipment
IAS 19 Employee Benefits
IAS 21 Effects of Changes in Foreign Exchange Rates
IAS 23 Borrowing Costs
IAS 24 Related Party Disclosures
IAS 26 Accounting and Reporting by Retirement Benefit Plans
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 32 Financial Instruments: Presentation
IAS 36 Impairment of Assets
IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

IFRS accounting standards, amendments and interpretations applied from 1 January 2021

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group starting from 1 January 2021:

- On 31 March 2021, the IASB published an amendment called "COVID-19 Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)" which extends the application period of the amendment issued in 2020 by one year, which provided the lessees with the ability to account for rent reductions related to COVID-19 without having to assess, through contract analysis, whether the definition of lease modification in IFRS 16 was met. Therefore, the lessees who have used this option in the 2020 financial year have recognised the effects of rent reductions directly in the income statement at the effective date of the reduction. The 2021 amendment, available only to entities that have already adopted the 2020 amendment, is effective as of April 1, 2021 and early adoption is permitted. The adoption of this amendment had no impact on the Group's financial statements.
- On 25 June 2020, the IASB has published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance companies.

  The adoption of this amendment had no impact on the Group's financial statements.
- On 27 August 2020, the IASB published, in light of the reform on interbank interest rates such as the IBOR, the document "Interest Rate Benchmark Reform — Phase 2" which contains amendments to the following standards:

  - IFRS 9 Financial Instruments;

  - IAS 39 Financial Instruments: Recognition and Measurement;

  - IFRS 7 Financial Instruments: Disclosures;

  - IFRS 4 Insurance Contracts; and

  - IFRS 16 Leases

  All amendments entered into force on 1 January 2021.

  The adoption of this amendment had no impact on the Group's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the Group at 31 December 2021

On 14 May 2020, the IASB published the following amendments:

- Amendments to IFRS 3 business combinations: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this resulting in any changes to the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to permit the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset itself. These sales revenues and the related costs will therefore be recognised in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that the assessment of whether a contract is onerous shall include all costs directly attributable to the contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid since it has stipulated the contract (such as, for example, the portion of depreciation of machinery used to perform the contract).
- Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases.

All amendments will enter into force on 1 January 2022. At the moment the directors are evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts.

The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including the reinsurance contracts that an insurer holds.

The new standard also provides for presentation and disclosure requirements to improve comparability between entities belonging to this sector.

The new standard measures an insurance contract on the basis of a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA").

The main characteristics of the General Model are:

- the estimates and assumptions of future cash flows are always the current ones;
- the measurement reflects the time value of money;
- the estimates envisage an extensive use of information observable on the market;
- there is a current and explicit measurement of risk;
- the expected profit is deferred and aggregated into groups of insurance contracts at initial recognition; and
- the expected profit is recognised over the contractual coverage period taking into account adjustments resulting from changes in cash flow assumptions related to each group of contracts.

The PAA approach provides for the measurement of the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications deriving from the application of the PAA method do not apply to the valuation of liabilities for existing claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year from the date on which the claim is made.

An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

The standard applies from 1 January 2023 but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

The directors do not expect the adoption of this standard to have a significant impact on the Group's consolidated financial statements.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

1) On 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current". The document aims to clarify how to classify payables and other short or long-term liabilities. The changes come into effect from 1 January 2023; early application is however permitted.

   At this time the directors are evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

2) On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but early application is permitted.

At the moment the directors are evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

3) On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as lease and dismantling obligations, must be accounted for. The amendments will apply from 1 January 2023, but early application is permitted.

   At this time the directors are evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

4) On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore at improving the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17.

5) On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only first-time adopters of IFRSs to continue to recognise the amounts relating to Rate Regulation Activities in accordance with the previous accounting standards adopted.

   As the Group is not a first-time adopter, this standard is not applicable.

   The directors do not expect the adoption of these amendments to have a significant impact on the Group's consolidated financial statements.

It should also be noted that in these financial statements, account has been taken, where applicable, of interpretative and supporting documents for the application of accounting standards, in relation to the impacts of COVID-19, issued by European regulatory and supervisory bodies and standard setters. In particular:

- the EBA communication of 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures";
- the ESMA communication of 25 March 2020 "Public Statement. Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- the IFRS Foundation document of 27 March 2020 "IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic";
- the ECB letter of 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID-19) pandemic" addressed to all significant institutions;
- the EBA guidelines of 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";
- the communication from ESMA of 20 May 2020 "Implications of the COVID-19 outbreak on the half-yearly financial reports";
- the EBA guidelines of 2 June 2020 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis";
- the ESMA communication of 28 May 2020 "European common enforcement priorities for 2020 annual financial reports";
- the EBA guidelines of 2 December 2020 "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";
- the ECB letter of 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic" addressed to all main institutions;
- the ESMA communication of 29 October 2021 "European common enforcement priorities for 2021 annual financial reports".

Section 2 - General preparation principles

The consolidated financial statements consist of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statement of Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement and the Notes to the Consolidated Financial Statements, in compliance with the rules for the compilation of the relevant schedules laid down in Bank of

Italy Circular no. 262 issued on 22 December 2005, in implementation of Article 9 of Legislative Decree no. 38 of 28 February 2005, as amended, and have been prepared on a going concern basis, on an accrual basis, in accordance with the principle of relevance and significance of the information and substance over form.

Assets and liabilities, costs and revenues have not been offset, except in cases where this is expressly required or permitted by the accounting standards.

Pursuant to IAS 10, adjustments were made to reflect events subsequent to the reference date, if required by the international standard.

The Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Statement of Changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement present, in addition to the amounts relating to the reference year, the corresponding comparative data at the end of the previous year, possibly reclassified as more fully described in Section 5.

The values are expressed, unless otherwise indicated, in thousands of euro.

The consolidated Balance Sheet and the consolidated Income Statement do not include items that do not present amounts for either the current or the previous year; similarly, tables that do not present amounts or changes in the same years are not shown in the Notes to the consolidated financial statements.

Any differences in the figures expressed in the Notes to the financial statements are due to rounding.

The joint coordination committee between the Bank of Italy, Consob and Isvap on the application of IAS/IFRS, with document no. 2 of 6 February 2009 "*Information to be provided in financial reports on the going concern, financial risks, impairment testing of assets and uncertainties in the use of estimates*", as well as with subsequent document no. 4 of 4 March 2010, requested the Directors to make particularly accurate assessments on the existence of the going concern assumption.

In this regard, paragraphs 25-26 of IAS 1 state that: "*In the preparation of financial statements, management must make an assessment of the entity's ability to continue as a going concern. Financial statements must be prepared on a going concern basis unless management intends to liquidate the entity or discontinue its operations, or has no realistic alternative to this. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. If the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the criteria applied to the preparation of the financial statements and the reason why the entity is not regarded as a going concern".*

The conditions of the financial markets and of the real economy and the forecasts formulated with reference to the short/medium term require particularly accurate assessments on the existence of the going concern assumption, as the Group's history of profitability and easy access to financial resources may no longer be sufficient in the current context.

It should also be noted that at the end of February 2020, the emergency created by the spread of the COVID-19 virus broke out, with fears related to the impacts that the pandemic could have on economic trends. This absolutely unexpected and unpredictable event, which recorded a new peak of infections at the end of 2021, was contained due to the intense vaccination campaign. However, to date, the pandemic has not been completely overcome and therefore negative effects on the Group's results for the year 2022 cannot be ruled out.

In this regard, it is specified that the Management and Control Bodies consider very carefully the prospect of the continuation of the company's activity.

To this end, after examining the risks and uncertainties associated with the current macroeconomic context, it is deemed reasonable, also in consideration of the improvement in the equity, economic and financial indicators, which have reached levels considered satisfactory, to expect that the Group will continue to operate in the foreseeable future and, consequently, the financial statements have been prepared on a going concern basis.

Section 3 - Scope and methods of consolidation

1. Equity investments in wholly-owned subsidiaries

The scope of consolidation includes the following companies:

Company name	Operational office	Registered office	Type of relationship (*)	Shareholding relationship		Availability of votes %
				Investing company	Stake %	
1. Sparim S.p.A.	Bolzano	Bolzano	1	CR Bolzano S.p.A.	100.00	100.00
2. Raetia SGR S.p.A. in liquidation	Bolzano	Bolzano	1	CR Bolzano S.p.A.	97.815	97.815
3. Sparkasse Haus S.r.l.	Bolzano	Bolzano	1	CR Bolzano S.p.A.	100.00	100.00
4. Dolomit Real Estate Fund in liquidation	Milan	Milan	4	CR Bolzano S.p.A.	96.82	
5. Fanes S.r.l.	Conegliano Veneto (TV)	Conegliano Veneto	4	CR Bolzano S.p.A.	0.00	

(*) Key:
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 = single management pursuant to Art. 26, paragraph 1, of "Legislative Decree 87/92"
6 = single management pursuant to Art. 26, paragraph 2, of "Legislative Decree 87/92"

The carrying amount of the equity investments in companies consolidated on a line-by-line basis is offset, against the assumption of the assets and liabilities of the investee, with the corresponding portion of the shareholders' equity of the companies.

The following operations are also carried out:
- derecognition of payables and receivables and intra-group costs and revenues, as well as dividends collected;
- derecognition of intra-group profits not realised with third parties.

It should be noted that the Group owns 96.82% of the shares of the Dolomit Real Estate Fund, without however holding effective voting right.

The accounting standard IFRS 10 requires the consolidation of a company even if there is no shareholding in the vote, but if control is exercised over the relevant activities of the same and if an entity has the power to affect its economic results. Given this assumption, the special purpose entity of the securitisation transactions Fanes Srl is fully consolidated.

Also included in the scope of consolidation is the investment over which the Parent Bank exercises a significant influence, i.e. holds a stake of between 20% and 50%. This company is valued using the equity method.

Company name	Operational office	Registered office	Shareholding relationship	
			Investing company	Stake %
Autosystem società di servizi S.p.A.	Pordenone	Trento	CR Bolzano S.p.A.	25.00

2. Significant valuations and assumptions to determine the scope of consolidation

The scope of consolidation, as provided for by the IFRS 10, consists of the Parent Bank and the companies, even if they carry out dissimilar activities, which are in any case controlled by the Parent Bank.

As in the previous year's financial statements, it should be noted that the investment in Raetia SGR S.p.A., in liquidation (97.815%), although it is included in the scope of consolidation, following its liquidation on 27 April 2012, total assets and liabilities as well as the result of the income statement have been classified respectively under the items "Non-current assets and groups of assets held for sale", "Liabilities associated with assets held for sale" and "Gains (losses) from groups of assets held for sale" for their carrying amount after the cancellation and consolidation entries.

As of 15 November 2013, the closed-end real estate fund Dolomit in liquidation, in which the Group held 96.82% at 31 December 2021, is also included in the scope of consolidation, and for which the balance sheet and income statement have been fully consolidated on the basis of the Fund's Final Liquidation Report at 29 November 2018 (the last Report approved by the Board of Directors of the company Castello sgr). In January 2019, the asset management company proceeded with the partial redemption of the units to the subscribers of the Fund in accordance with the provisions of the distribution plan. The residual cash will be made available to investors, once the terms for the possible emergence of further liabilities have elapsed, according to the prudent and reasonable assessment of the SGR. Therefore, at 31 December 2021, the Fund is still consolidated, but the residual values are negligible.

As already specified at the end of the previous table, the special purpose entity Fanes Srl is also included in the scope of consolidation, with effect from 2013, based on the provisions of IFRS 10.

3. Equity investments in wholly-owned subsidiaries with significant minority interests

In the absence of equity investments in wholly-owned subsidiaries with significant minority interests, this part is not completed.

4. Significant restrictions

In the absence of significant restrictions, this part is not completed.

5. Other information

The financial statements of the subsidiaries used for the preparation of these Financial Statements refer to 31 December 2021 with the exception of the Dolomit Fund in liquidation, for which the Final Liquidation Report at 29 November 2018 was used.

Section 4 - Events after the reporting date

For a description of events after the reporting date, please refer to the "Board of Directors' Report on Group operations".

Section 5 - Other aspects

Risks and uncertainties related to the use of estimates and impacts of the COVID-19 outbreak

The estimation processes to support the carrying amount of the most significant valuation items recorded in the financial statements were completed, as required by the applicable accounting standards and reference regulations. These processes are based to a large extent on estimates of the future recoverability of the values recorded in the financial statements according to the rules set forth in the applicable regulations and were carried out on a going concern basis, i.e. regardless of the hypothesis of forced liquidation of the items subject to valuation.

The survey carried out confirms the carrying amounts of the items mentioned at 31 December 2021. However, it should be noted that the valuation process described above is particularly complex in view of the current macroeconomic and market context which is strongly influenced by the COVID-19 pandemic and the geo-political tensions caused by the Russian-Ukrainian conflict, and is characterised by levels of volatility that can be seen in all the financial figures determining the valuation, and the consequent difficulty in formulating performance forecasts, even in the short term, relating to the aforementioned financial parameters that significantly affect the values being estimated.

Contractual amendments resulting from COVID-19

1) Contractual amendments and accounting derecognition (IFRS 9)

It should be noted that the moratoria granted by Sparkasse to its customers during 2020, both pursuant to the law and local regulations, decided on the basis of negotiated agreements at the provincial level, as a specific intervention of the Group, did not result in an automatic classification in stage 2 and in the identification of a forbearance measure according to prudential regulations. The Group has carried out specific assessments to verify, also considering the risk conditions prior to the outbreak of the pandemic, whether to consider the renegotiation as a measure of forbearance with consequent transition to stage 2.

With reference to the accounting of the effects (profit/loss from forbearance) relating to contractual amendments (non-forborne positions) deriving from customer support measures, Sparkasse has assessed, from a qualitative and quantitative point of view, whether the support economic relief measures have entailed the change in the characteristics of the financial assets and, consequently, whether it is necessary to proceed with their derecognition also in relation to the substantial nature of the change.

In light of the assessments made, it was deemed that the changes in relation to the moratoria granted are not to be considered substantial as these financial support measures will provide temporary relief to the debtors affected by the COVID-19 epidemic and the net economic value of the loan will not be will be significantly affected.

With reference to the majority of the moratoria granted, for which the suspension took place only with reference to the capital component, there are no economic changes to be reported. With regard to the transactions for which the interest component was also suspended, the differences between the carrying amount and the present value of the modified cash flows discounted at the original interest rate were minimal and therefore Sparkasse decided not to recognise these components in the relevant item 140 of the income statement.

2) Amendment to IFRS 16

With reference to lease contracts, please note that the Group has not applied the practical expedient provided for by Regulation (EU) no. 1434/2020 and by Regulation (EU) no. 2021/1421, which would have allowed changes in the duration of the loans.

Restatement of comparative data

With reference to the provisions of IFRS 3 par. 61, 62 and 63, as regards business combinations, it should be noted that there were no changes in the values reported in the previous year.

However, following the publication of the seventh update of 29 October 2021 of Bank of Italy Circular no. 262 "The bank financial statements: formats and rules for preparation", which introduced some changes to the financial statements disclosure, with particular reference to the items of the balance sheet assets "Cash and cash equivalents" and "Financial assets measured at amortised cost", all the necessary changes were made on the values reported in the previous year, in order to improve the comparison of the financial statements items.

The main changes, introduced by the seventh update in order to align, as far as possible, the financial report with the consolidated supervisory financial reports harmonised at European level (FINREP), concern the representation in the financial statements of:

i) on demand loans to banks which are included in the item "Cash and cash equivalents", therefore leaving only the loans to banks other than "on demand" in the item "Financial assets measured at amortised cost";

ii) "Purchased or originated impaired" financial assets whose disclosure is excluded from the breakdown by credit risk stage and recognised separately, and this is for all portfolios to which they belong;

iii) breakdown of "Intangible assets", the breakdown of which highlights software that is not an integral part of hardware pursuant to IAS 38;

iv) commission income and expense, the breakdown of which has been aligned with that of FINREP;

v) contributions and any commitments for contributions to resolution funds and deposit guarantee schemes, which are required to provide separate evidence in the breakdown of "Other administrative expenses" and "Allocations to provisions for risks and charges".

<u>Change in measurement criteria</u>

It should be noted that in 2021 the Group maintained the same measurement criteria as in the previous year.

<u>Statutory audit</u>

Starting from the 2019 consolidated and separate financial statements, the audit activity is carried out by the independent auditors Deloitte & Touche S.p.A., as resolved by the Shareholders' Meeting of the Parent Bank on 10 April 2018, which assigned to it the task of auditing, for the period 2019 - 2027, pursuant to Art. 17, paragraph 1 of Legislative Decree no. 39 of 27 January 2010.

A.2 - PART RELATED TO THE MAIN FINANCIAL STATEMENT ITEMS

The criteria for recognising, classifying, measuring, derecognising and recording income and expense items are described below for each item in the balance sheet and, to the extent compatible, in the income statement.

1 - Financial assets measured at fair value through profit or loss

1.1 Financial assets held for trading

Recognition criteria

Financial assets held for trading are initially recognised on the settlement date at their fair value, which normally corresponds to the amount paid, with the exception of transaction costs and revenues, which are immediately recognised in the income statement even if directly attributable to said financial assets. Trading derivatives are recognised by trade date.

Classification criteria

A financial asset is classified as held for trading if:

- is acquired mainly with a view to being sold in the short-term;
- is part of a portfolio of financial instruments that is managed jointly and for which there is a strategy aimed at achieving profits in the short term;
- is a derivative contract not designated as part of hedging transactions, including derivatives with positive fair value embedded in financial liabilities other than those measured at fair value with recognition of the income effects in the income statement.

A financial instrument or other contract that has the following three characteristics is considered a derivative:

- its value changes in relation to the change in an interest rate, the price of a financial instrument, the price of a commodity, the exchange rate in foreign currency, a price or rate index, creditworthiness (rating) or credit ratios or other pre-established variable (generally referred to as the "underlying") provided that, in the case of a non-financial variable, this is not specific to one of the contractual parties;
- does not require an initial net investment or requires a smaller initial net investment than would be required for other types of contracts from which one would expect a similar fluctuation in value in response to changes in market factors;
- is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the instrument as a whole vary in a similar way to those of the stand-alone derivative.

An embedded derivative is separated from financial assets and/or liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is accounted for as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not strictly related to those of the host contract;
- a separate instrument with the same conditions as the embedded derivative would meet the definition of a derivative; and
- the hybrid instrument is not measured in its entirety at fair value through profit or loss.

In cases where the embedded derivatives are separate, the primary contracts are accounted for according to the category to which they belong.

Measurement and recognition criteria for income components

After the initial recognition, the assets are measured at fair value.

To determine the fair value of debt and equity securities listed (contributed) in an active market (level 1), the market prices of the last day of the reference year are used. In the absence of an active market (level 2), estimation and valuation methods based on market data and usually accepted in financial practice are used.

These include: calculations of discounted cash flows, values recognised in recent transactions, valuations of listed instruments with similar characteristics.

To determine the fair value of derivative contracts, estimation methods and valuation models (level 2) are used, such as the discounting of expected cash flows, through an internal valuation method carried out by the Risk Management Service.

Gains and losses realised both from sale or redemption, and from the change in fair value of financial assets held for trading, are recognised in the income statement item "Net profit (loss) from trading".

Commissions and interest are recognised on an accruals basis under interest.

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

1.2 Financial assets designated at fair value

Classification criteria

A non-derivative financial asset can be designated at fair value if this designation makes it possible to avoid *accounting mismatches* deriving from the measurement of assets and associated liabilities according to different measurement criteria.

Measurement and recognition criteria for income components

The accounting treatment of these transactions is similar to that of "Financial assets held for trading". The income statement components are recognised in the item "Net income from other financial assets and liabilities measured at fair value".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

1.3 Other financial assets mandatorily measured at fair value

Classification criteria

A financial asset is classified as a financial asset mandatorily measured at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for measurement at amortised cost or at fair value through other comprehensive income.

In particular, the following are classified in this portfolio:

- debt instruments, securities and loans whose business model is neither held to collect nor held to collect and sell, but which do not belong to the trading book;
- debt instruments, securities and loans, whose cash flows do not represent only the payment of principal and interest;
- UCITS units;
- equity instruments for which the Group does not apply the option granted by the standard to measure these instruments at fair value through other comprehensive income.

Measurement and recognition criteria for income components

The accounting treatment of these transactions is similar to that of "Financial assets held for trading". The income statement components are recognised in the item "Net income from other financial assets and liabilities measured at fair value".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

2 - Financial assets measured at fair value through other comprehensive income

Recognition criteria

Financial assets measured at fair value through other comprehensive income are initially recognised on the settlement date at fair value, which normally corresponds to the transaction price including transaction costs and revenues directly attributable to the instrument itself.

Classification criteria

A financial asset is classified as a financial asset measured at fair value through other comprehensive income if:

- the objective of its business model is pursued through both the collection of contractual cash flows and the sale of financial assets ("held-to-collect and sell");
- the related cash flows represent only the payment of principal and interest.

Equity instruments for which the Group applies the option granted by the standard to measure these instruments at fair value through other comprehensive income are also classified in this category.

Measurement and recognition criteria for income components

After initial recognition, interest accrued on interest-bearing instruments is recognised in the income statement according to the amortised cost method.

Gains and losses deriving from changes in fair value are recognised in the Statement of comprehensive income and posted under item 120. "Valuation reserves of shareholders' equity".

These instruments are subject to calculation of expected credit losses, or the assessment of the issuer's creditworthiness, as illustrated in the specific section "Impairment".

These impairments are recorded in the income statement with a contra-entry in the statement of comprehensive income and are also posted under item 120. Valuation reserves of shareholders' equity, as an adjustment of the fair value delta recorded therein.

In the event of disposal, the accumulated gains and losses are recognised in the income statement.

With regard to equity instruments, gains and losses deriving from changes in fair value are recognised in the Statement of comprehensive income and posted under item 120. Valuation reserves of shareholders' equity.

In the event of disposal, the accumulated gains and losses are recorded under item 150. Other reserves.

Equity instruments are not recognised in the income statement for expected credit losses, intended as impairment in compliance with the provisions of IFRS 9.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

Equity OCI Option

With regard to non-trading equity instruments (basically, equity investments held, excluding majority interests), IFRS 9 provides for the possibility of classifying them at fair value through other comprehensive income (so-called *FVTOCI*); this is an irrevocable choice (defined as the OCI option) and in this case there is no recycling in the income statement, even in the case of sale of the instrument. Only dividends are recorded in the income statement. However, dividends are recognised as a contra-entry when they represent a repayment of the investment, rather than a return on the investment. This occurs in the event of the collection of dividends where the value of the instrument is significantly lower than the purchase cost thereof. The option can be exercised at the level of the individual financial instrument and individual purchase tranche, and can be exercised upon initial recognition of the instrument.

For Cassa di Risparmio di Bolzano, this is an option that affects minority holdings which, pursuant to the previous accounting standard IAS 39, were classified in the AFS portfolio. The Group has moved towards adopting the option (OCI option) for all investments held with the exception of the equity investment in Satispay S.p.A. and Banca popolare di Cividale S.p.A..

3 - Financial assets measured at amortised cost:

Recognition criteria

The initial recognition of the financial asset takes place, on the settlement date, at fair value, normally coinciding with the cost, including transaction costs or income.

Classification criteria

A financial asset is classified as a financial asset measured at amortised cost if:

- the objective of its business is the possession of assets aimed at the collection of contractual cash flows ("held-to-collect");
- the related cash flows represent only the payment of principal and interest.

These items also include the net values referring to finance lease transactions of assets under construction and assets pending finance lease, whose contracts have the characteristics of "contracts with transfer of risks".

Measurement and recognition criteria for income components

After initial recognition at fair value, these assets are measured at amortised cost, which determines the recognition of interest on the basis of the effective interest rate criterion pro rata temporis over the duration of the receivable.

The carrying amount of financial assets at amortised cost is adjusted to take into account the reductions/write-backs resulting from the valuation process in accordance with paragraph 8 below "Impairment".

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

With specific reference to receivables, they are derecognised when they are extinguished, sold or become impaired with the simultaneous transfer of all related risks and benefits.

4 - Financial liabilities measured at amortised cost

Recognition criteria

Initial recognition of these financial liabilities takes place when the amounts are received or the securities are issued. The recognition is made on the basis of the fair value of these liabilities, equal to the amounts collected or the issue price modified by any additional costs/income directly attributable to the individual issue.

Classification criteria

Payables and securities issued include amounts due to banks and due to customers in the various forms of funding (current accounts, loans, deposits, savings deposits, third party funds under administration, repurchase agreements in securities) and securities (certificates of deposit and bonds) issued and outstanding, net of any repurchases, not subject to operational risk hedging through the signing of derivative contracts.

Measurement and recognition criteria for income components

After initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Bonds, certificates of deposit and time deposits with customers classified in hedge accounting are measured at fair value with recognition of the related change in the income statement (fair value hedge). An exception is made for short-term liabilities, which are stated at the amount received. Interest is recognised on an accruals basis.

Derecognition criteria

Derecognition occurs when the liabilities are extinguished or expired, as well as when securities previously issued are repurchased; in this case, the differential between the recognition price and the repurchase price is recognised in the income statement.

Any subsequent placement on the market is considered as a new issue and is recognised at the new placement price without any effect on the income statement.

5 - Financial liabilities held for trading

Recognition criteria

Initial recognition takes place on the settlement date for debt and equity securities and on the subscription date for derivative contracts. At the time of initial recognition, liabilities are recognised at fair value, normally coinciding with the cost, without considering transaction costs or income that are directly charged to the income statement.

Classification criteria

This item includes:

- derivative contracts, with a negative current value, held for trading purposes. This item includes derivative contracts entered into to hedge interest rate risks on assets that do not meet the requirements set for hedge accounting and have therefore been reclassified as trading derivatives;
- derivative contracts, with a negative current value, related to the application of the fair value option;
- any other financial liabilities held for trading.

Measurement and recognition criteria for income components

For financial liabilities held for trading, the same criteria apply as for "Financial assets held for trading".

Derecognition criteria

Financial liabilities are derecognised when the contractual rights on the cash flows deriving from the liabilities themselves expire or when the liability is sold by transferring all the risks and benefits related to it.

6 - Financial liabilities designated at fair value

Recognition criteria

At the time of initial recognition, liabilities are recognised at fair value, normally coinciding with the cost, without considering transaction costs or income.

Classification criteria

This category includes financial liabilities that, similar to financial assets, may be designated as financial liabilities measured at fair value upon initial recognition, in accordance with IFRS 9, provided that:

- this designation eliminates or considerably reduces a mismatch that would otherwise result from the measurement on different bases of assets or liabilities and the relative profits and losses;
  or,
- a group of financial assets, financial liabilities or both is managed and measured at fair value according to a risk management or an investment strategy documented internally by the Company's Management Bodies.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that would otherwise have had to be separated.
In application of the above, this item includes bonds issued, net of repurchases, whose market risk is hedged on a management basis through derivative contracts. The current value of the latter is reclassified under assets/liabilities held for trading.

The remaining bonds issued are classified under "Securities issued".

Financial liabilities belonging to this category are measured at fair value initially and over the life of the transaction.

Measurement and recognition criteria for income components

Changes in fair value are recognised in the income statement with the exception of any changes in fair value deriving from changes in own creditworthiness, which are stated in item 120. "Valuation reserves of shareholders' equity" unless such recognition results in a mismatch arising from the measurement on different bases of assets or liabilities and the relative profits and losses, in which case changes in fair value arising from changes in own creditworthiness are also recognised in the income statement.

Derecognition criteria

Liabilities are derecognised when they are extinguished or when the obligation specified in the contract is fulfilled or cancelled or expired.

7 - Other issues - Purchased or originated impaired financial assets

If, upon initial recognition, a credit exposure is recorded under item 30. Financial assets measured at fair value through other comprehensive income or 40. Financial assets measured at amortised cost, is impaired, it is classified as "Purchased or Originated Credit Impaired - POCI.

The amortised cost and, consequently, the interest income generated by these assets are calculated considering, in the estimate of future cash flows, the credit losses expected over the entire residual life of the asset.

"Purchased or originated impaired financial assets" are conventionally presented at initial recognition as part of Stage 3.

If, following an improvement in the creditworthiness of the counterparty, the assets are "performing", they are classified as part of Stage 2.

These assets are never classified under Stage 1 since the expected credit loss must always be calculated considering a time horizon equal to the residual maturity.

In addition to purchased impaired assets, the Group identifies as "Purchased or originated impaired financial assets" the credit exposures originated as a result of restructuring transactions of impaired exposures that resulted in the origination of new loans that are significant, in absolute or relative terms, proportionally to the amount of the original exposure. In this regard, in order to be considered significant, the origination of new loans must amount to more than 10% of the value of the previously outstanding restructured positions. The disbursements of new loans of less than 10% of the restructured positions, but in an amount exceeding Euro 500 thousand, will also be considered as "POCI".

8 - Value adjustments ("Impairment")

General aspects

Loans and debt securities classified under financial assets at amortised cost, financial assets measured at fair value through other comprehensive income and the relevant off-balance sheet exposures are subject to the calculation of value adjustments in accordance with IFRS 9.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit quality with respect to the initial disbursement.

In particular:

Stage 1: includes (i) newly originated or acquired credit exposures, (ii) exposures that have not suffered a significant deterioration in credit risk with respect to the initial recognition date and (iii) exposures with low credit risk exemption.

Stage 2: includes credit exposures that, although not impaired, have undergone a significant deterioration in credit risk compared to the initial recognition date.

Stage 3: includes impaired credit exposures.

For exposures belonging to stage 1, total value adjustments are equal to the expected loss calculated over a time horizon of up to one year.

For exposures belonging to stages 2 or 3, total value adjustments are equal to the expected loss calculated over a time horizon equal to the entire duration of the related exposure.

In order to meet the requirements of the standard, the Group uses specific models for calculating the expected loss, which use the parameters of probability of default ("PD"), loss given default ("LGD") and exposure at the date of default ("EAD") to ensure consistency with accounting standards. Forward-looking information was also included through the development of specific scenarios.

A key aspect deriving from the accounting model introduced by IFRS 9 and required for the calculation of the expected credit loss is represented by the stage allocation model aimed at transferring the (performing) exposures between Stage 1 and Stage 2 (Stage 3 being equivalent to that of non-performing exposures).

In the Group, the Stage Allocation assessment model was based on a combination of internal and absolute elements. The main elements were:

- the comparison at the transaction level between the PD measure at the time of disbursement and the PD measure at the reporting date, both of which are quantified using internal models, using thresholds that are set to consider all key variables in each transaction that may affect the bank's expectation of changes in PD over time;
- absolute elements required by the regulations (e.g. 30 days past due) and additional internal evidence such as, for example, new classification among the forborne exposures, other elements and presence of particular anomalies (of the class "strong alerts") in the CQM (Credit Quality Management) procedure.

The criteria for determining the write-downs to be made to receivables (Stage 2) are based on the discounting of expected cash flows for principal and interest, in line with the portfolio management model, and the key elements are represented by the identification of estimated collections, the related collection dates and the discount rate to be applied.

With reference to debt securities, the Group opted for the application of the "low credit risk exemption" on investment grade securities, in full compliance with the provisions of the accounting standard.

The area of non-performing loans (Stage 3) includes the following types of problem loans:

- bad loans;
- unlikely to pay;

- past due or overrun loans.

Impairment losses on individual non-performing loans are equal to the negative difference between their recoverable amount and the corresponding amortised cost.

The recoverable amount is equal to the present value of expected cash flows for principal and interest calculated on the basis of:

1. the expected recovery value of loans, i.e. the value of contractual cash flows in terms of principal and interest net of expected losses;
2. the expected recovery time;
3. the discount rate, which is equal to the original internal rate of return.

Therefore, with reference to the different types of problem loans, the method used to determine the expected recovery value and the expected recovery time is as follows:

- **bad loans**:

  Bad loans represent exposures to insolvent (or substantially similar) parties that the Parent Bank has placed in default and for which the contractual payment terms have therefore expired and forced recovery has been initiated.

  As a general rule, therefore, the expected recovery value of bad loans must be calculated analytically, also taking into account the recovery rates that have historically occurred on similar risk positions.

  The determination of the expected recovery value of bad loans is differentiated according to whether the exposure is secured or unsecured, in which case it is necessary to consider whether it is "collateral" or "personal".

  When the customer is classified under "bad loans", the expected recovery value takes into account the value previously identified among the positions "unlikely to pay".

  As part of the semi-annual review of the adequacy of analytical provisioning for positions classified as bad loans and taking into account:

  - the actual collections, including partial;
  - the presence of credit preservation acts after the opening of the bad loan (e.g. registration of a judicial mortgage on a large property);
  - indications of a further reduction in the value of the collateral based on updated estimates and more generally the overall picture of the position (initiation of procedures, unsuccessful auctions, etc.).

  Any upward adjustments or write-backs will be recorded, in particular for those positions that have benefited from significant collections. Significant collections are generally defined at least 10% of the outstanding debt with a minimum amount of Euro 150,000 on positions with residual pre-redemption exposures exceeding Euro 500.000

  If the full recovery of the capital portion recognised as bad loan is doubtful, the positions are usually rendered non-interest bearing.

  If there is evidence, also on the basis of legal assessments, of the current and future non-recoverability of all or part of the principal of the position (e.g. non-liability in the event of proceedings, evidence of non-recoverable impairment of the guarantees supporting the position, closure of bankruptcy proceedings, ascertained inability to act further on other sources of recovery, etc.), it will be possible to evaluate the transfer to a loss, even partial, of the position by adequately justifying the request.

  Even in the case of resolutions accepting "balance and write-off" offers of the positions according to the provisions of the Credit Process, the residual principal part not satisfied will be classified as a loss.

- **unlikely to pay**:

  unlikely to pay loans represent those credit relationships which, despite the temporary payment difficulties of their debtors, are still in full operation and for which the original contractual terms (or those possibly renegotiated with the counterparties) remain in force. For these exposures, therefore, the estimate of the expected recovery value can only be made taking into account the contractual cash flows net of the related expected loss and the changed recovery time forecasts, therefore assuming a return to normality of these exposures once the payment difficulties by debtors are overcome. As for bad loans, the expected recovery value of unlikely to pay loans must be calculated analytically, also taking into account the recovery rates that have historically occurred on similar risk positions. The determination of the expected recovery value of unlikely to pay loans is differentiated according to whether the exposure is secured or unsecured, in which case it is necessary to consider whether it is "collateral" or "personal".

- **past due or overrun loans:**

  this category includes loans past due or overrun by more than 90 days calculated according to the current rules established by the Bank of Italy. The estimate of the expected recovery value of past due and/or overdue non-performing loans takes place in the "forfeit" form. The loss forecast is determined by applying a percentage of the average write-down of bad and unlikely to pay loans to the corresponding portion of loans which, on the basis of historical analysis, will be transformed into bad and unlikely to pay loans. The loss forecast is reviewed annually. In the 2021 financial year, the loss forecast was determined on a flat-rate basis at the rate of 20%, while up to the previous financial year it amounted to 10%.

Impairment losses are recorded in the specific income statement item "Net value adjustments/write-backs for credit impairment". The original value of the loans is reinstated in subsequent years to the extent that the reasons that determined the adjustment no longer apply, and the write-back is also recorded in the income statement.

The increases in the present value of non-performing loans deriving from the passage of time (i.e. the expected moment for recovery draws near) are also recognised, albeit separately, under interest income.

Referring to the considerations made above with reference to the model used to determine the expected loss on performing positions, the following is some detailed information on the variables used to estimate the probability of default of the entrusted counterparties and the recovery rates in the event of their default.

For the measurement of expected losses on performing positions, the following information must be acquired:

- the probability of default (PD), i.e. the probability that the counterparty is classified as a "non-performing" loan (in Supervisory terminology) in the time horizon of 1 year and is therefore not potentially able to fulfil, in whole or in part, its contractual obligations;
- the PD is determined by rating class and by counterparty segment/model;
- the exposure of the position (EAD - Exposure at Default), which is either the amount of the residual loan to the counterparty or the potential amount of the loan to the counterparty which the Parent Bank could risk losing in the event of the counterparty's default;
- the Loss Given Default (LGD), i.e. the expected loss rate on a given credit exposure in the event of default by the counterparty.

LGD is determined by technical form and by counterparty segment/model.

The measure of expected loss can be defined as the product of the probability of default by the counterparty, the loss rate in the event of default by the counterparty and the exposure to the counterparty.

Impairment losses determined on performing loans are also recorded in the specific income statement item "Net value adjustments/write-backs for credit impairment".

With reference to the portfolio of performing endorsement loans, divided in turn between Stage 1 and 2, the write-down is determined by applying to the existing positions the average Parent Bank LGD calculated quarterly and, where applicable, the counterparty's PD, otherwise the average Bank PD calculated quarterly.

9 - Hedging transactions

Recognition criteria

Hedging derivatives and financial assets and liabilities subject to effective hedging are shown in the financial statements according to the criteria for hedge accounting.

Designated hedging transactions with formal documentation of the relationship between the hedged item and the hedging instrument are considered effective if at their inception and throughout the term of the hedging relationship, changes in the fair value or cash flows of the hedged item are nearly fully offset by changes in the fair value or cash flows of the hedging derivative instrument.

At each reporting date, effectiveness is tested through prospective and retrospective tests and the hedging relationship is considered effective if the ratio between the changes in value of the hedged item and the hedging instrument does not exceed the limits of the 80-125% range.

Classification criteria

Derivative contracts for hedging purposes are used to hedge against one or more types of risk (interest rate risk, exchange rate risk, price risk, credit risk). In particular, fair value hedges are carried out with the objective of hedging exposure to changes in fair value; cash flow hedges are carried out with the objective of hedging exposure to changes in cash flows.

The items "Hedging derivatives" of the balance sheet assets and liabilities include the positive and negative value of the derivatives that are part of effective hedging relationships.

Measurement and recognition criteria for income components

Derivatives classified under "Hedging derivatives" of assets and liabilities are measured at fair value and the change in fair value is recorded in the income statement, for derivatives included in fair value hedging relationships. In the case of cash flow hedges, changes in the fair value of the derivative are recognised in equity, for the effective portion of the hedge, and are recognised in the income statement only when, with reference to the hedged item, the change in cash flows occurs.

Derecognition criteria

If the tests carried out do not confirm the effectiveness of the hedge, hedge accounting ceases in accordance with the criteria described in this paragraph and the accounting criterion envisaged for the category to which it belongs is applied and the derivative is reclassified under trading instruments; subsequent changes in fair value are recorded in the income statement. In the case of cash flow hedges, if the hedged transaction is no longer expected to take place, the cumulative amount of gains and losses recorded in the shareholders' equity reserve is recognised in the income statement.

10 - Equity investments

Recognition criteria

The initial recognition of equity investments takes place on the settlement date. Upon initial recognition, the assets are recognised at cost.

Classification criteria

The item includes equity investments held in associates or companies subject to joint control. Associates are companies in which the Group holds at least 20% of the voting rights or companies in which specific legal ties lead to their being subject to significant influence; companies subject to joint control are companies for which contractual, shareholder or other agreements determine joint management and the appointment of directors.

Measurement and recognition criteria for income components

Subsequent to their initial recognition, equity investments are measured using the equity method.

If there is evidence that the value of an equity investment may have been impaired, the recoverable amount of the equity investment is estimated, taking into account the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment and/or other measurement elements (for example the pro-rata equity ratio).

The amount of any impairment, determined on the basis of the difference between the carrying amount of the equity investment and its recoverable amount, is recognised in the income statement under the item "gains (losses) on equity investments".

If the reasons for the impairment cease to apply as a result of an event occurring after the recognition of the impairment, a reversal of the impairment loss is recognised in the same item of the income statement, up to the amount of the previous adjustment.

The pro-rata results for the year of associates and companies subject to joint control are recognised in the income statement under item 250. "Gains (losses) on equity investments".

Derecognition criteria

Equity investments are derecognised when the contractual rights on the cash flows deriving from the same assets expire or when the asset is sold transferring all the risks and benefits related to it.

11 - Property, plant and equipment

Recognition criteria

Property, plant and equipment are initially recognised at cost, which is equal to the purchase price increased by any charges attributable to the purchase and to the commissioning of the asset. Extraordinary maintenance costs that involve an increase in future economic benefits are recognised as an increase in the value of the assets, while ordinary maintenance costs are recognised in the income statement.

Classification criteria

Property, plant and equipment include land, operating properties, investment property, plant, furniture, furnishings, equipment of any type and, starting from 1 January 2019, rights of use on assets acquired under leases.

In particular, this item includes both property, plant and equipment used for the Group's operations, i.e., acquired for the provision of services or for administrative purposes, and those (buildings) held for investment purposes, i.e., acquired to earn rentals and/or held for capital appreciation.

This item also includes the costs incurred for the renovation of third-party assets, as for the duration of the lease contract the user company has control over the assets and draws from them future economic benefits.

Measurement and recognition criteria for income components

After initial recognition, property, plant and equipment are measured:

- at cost, less any depreciation and impairment losses, as regards property, plant and equipment used for the Group's operations other than properties. Fixed assets are depreciated over their useful life, using the straight-line method, with the exception of works of art which, as they have an indefinite useful life, cannot be depreciated;
- at fair value, with adjustment at the end of each reporting period and recognition of the differential in the income statement, as regards properties under property, plant and equipment held for investment purposes. The fair value is determined on the basis of appraisals prepared at least annually by a qualified third party, chosen from among the leading companies in the sector;
- at fair value, starting from 2014, as regards the properties used for the Group's operations, adopting the Revaluation Model system provided for by IAS 16 instead of the Cost Model previously adopted. The application of this method involves the recognition of the properties at a value equal to their fair value, netted in subsequent years of the effects of the depreciation of said value, with the exclusion of that relating to land separated from the value of the building, presenting indefinite useful life. The unbundling of these values takes place only for buildings "free-standing". IAS 16 requires that the frequency of revaluations depends on fluctuations in the fair value of the revalued property, plant and equipment. When the fair value of the revalued asset differs materially from its carrying amount, a further revaluation is required. Frequent revaluations are not required for property, plant and equipment that have only insignificant fluctuations in their fair value. It may then only be necessary to reassess the asset every three to five years.

With regard to property, plant and equipment measured at cost, at each balance sheet or interim report date, if there is evidence of impairment, the recoverable amount is estimated, being the higher of the asset's fair value less costs to sell and its value in use, i.e. discounting the future cash flows that can be generated by the asset. If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement.

If the reasons for the impairment cease to apply as a result of subsequent events, reversals are made and charged to the income statement, up to the value of the net asset if no adjustments are made.

Derecognition criteria

A tangible asset is derecognised at the time of its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal.

12 -Intangible assets

Recognition criteria

The intangible asset is recorded at cost, adjusted for any accessory charges, only if there is a likelihood that future economic benefits attributable to the asset will be realised and if the cost of the asset can be reliably determined.

Classification criteria

Intangible assets are represented by application software for long-term use and goodwill represented by the positive difference between the purchase cost and the fair value of the assets and liabilities acquired as part of Business Combinations.

Measurement and recognition criteria for income components

The cost of intangible assets with a finite useful life, after initial recognition, is amortised on a straight-line basis over their useful life, which is subject to measurement at the end of each year to verify the adequacy of the estimate.

At each balance sheet or interim report date, if there is evidence of impairment of an intangible asset, its recoverable amount is estimated by discounting the future cash flows that can be generated by the asset. If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement.

Intangible assets with an indefinite useful life include goodwill, which is the positive difference between the consideration paid for a business combination and the fair value of the identifiable net assets acquired, as more fully described in paragraph "11 - Other information - Business combinations and Goodwill".

Goodwill is not subject to amortisation, but to periodic verification of the adequacy of the carrying amount.

In particular, every time there is evidence of impairment and in any case at least once a year, an impairment test is performed. To this end, the cash-generating unit to which the goodwill is allocated is identified. The amount of any impairment loss is determined on the basis of the difference between the carrying amount of the goodwill and its recoverable amount, if lower. The recoverable amount is the higher of the fair value of the cash-generating unit, net of any costs to sell, and its value in use. The value in use is the present value of the future cash flows expected from the generating units to which the goodwill has been allocated. The resulting impairment losses are recognised in the income statement. No subsequent reversals of impairment losses may be recognised.

Derecognition criteria

An intangible asset is derecognised at the time of its disposal and if no future economic benefits are expected.

13 - Non-current assets and groups of assets held for sale

Recognition criteria

This item includes non-current assets/liabilities held for sale and assets/liabilities relating to disposal groups that are expected to be sold within 12 months of the classification date, such as equity investments in associates, companies subject to joint control, property, plant and equipment and intangible assets, assets and liabilities pertaining to discontinued operations.

This item also includes assets and liabilities attributable to equity investments in subsidiaries/associates and companies subject to joint control for which voluntary liquidation was resolved on.

Measurement and recognition criteria for income components

Assets and liabilities included in the item are measured at the lower of the carrying amount and the fair value net of costs to sell, with the exception of the following assets that continue to be measured in accordance with the reference accounting standard:

- deferred tax assets
- assets arising from employee benefits
- financial instruments
- real estate investments.

The related income and expenses net of the tax effect are shown in the income statement under a separate item.

14 - Current and deferred taxation

The effects relating to current and deferred taxes are recognised by applying the tax rates in force, respectively, in the current and subsequent tax periods.

Income taxes are recognised in the income statement with the exception of those relating to items charged or credited directly to equity.

The allocation for income taxes is determined on the basis of a prudential forecast of the current tax charge, the advance tax charge and the deferred tax charge. In particular, deferred tax assets and liabilities are determined on the basis of temporary differences, without time limits, between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes.

Deferred tax assets are recognised to the extent that their recovery is probable, based on the ability to generate positive taxable income on an ongoing basis.

Deferred tax liabilities are in turn recognised in the financial statements. It should be noted that with regard to untaxed reserves and revaluation surpluses, no provision is made for the related deferred taxes, in accordance with the provisions of IAS 12, paragraph 52b, which makes the allocation of deferred tax liabilities on untaxed reserves subject to the decision to distribute them (with the exception of the "Merger surplus reserve" set up when Credito Fondiario di Bolzano S.p.A. was merged). In this regard, it should be noted that the Group neither assumes nor does it deem it likely that in the short/medium term it will assume behaviours that could integrate the prerequisites for the payment of taxes in relation to distributions of reserves as per the previous paragraph.

Prepaid and deferred taxes are accounted for on an open balance sheet basis and without offsetting, with the former included under "Tax assets" and the latter under "Tax liabilities".

Tax liabilities are also adjusted to meet charges that could result from notified assessments or on-going disputes with the tax authorities.

15 - Provisions for risks and charges

Following the 5th update of Circular no. 262 of 22 December 2005 of the Bank of Italy, in consideration of the provisions of IFRS 9, the sub-item relating to commitments and guarantees issued, which in the previous version was allocated to Other liabilities, was also included in the item "Provisions for risks and charges".

<u>Commitments and guarantees issued</u>

This provision consists of write-downs on endorsement loans. Provisions on these forms of financing are calculated as from 1 January 2018 on the basis of the provisions of IFRS 9, therefore applying the same staging criteria as for cash loans and related PDs and LGDs.

<u>Pension fund and similar obligations</u>

The fund consists of a defined benefit section (Section A/A1) which provides a supplementary benefit to retired staff in addition to the gross benefits paid by INPS; the economic benefits due to members of this fund are assessed on the basis of an independent actuarial valuation in order to determine the technical provisions to be set aside to cover future pension benefits.

On a half-yearly basis, the actuarial study provides an estimate of the interest cost of the liability, the expected return on investments and, if necessary, the value of the allocation to the provision for personnel still in service (service cost), the costs and revenues of which are recognised in the income statement. The difference between the expected return on the portfolio and the actual return is recorded directly in the Shareholders' Equity as a reduction or increase in retained earnings. The actuarial study also provides the values relating to changes in actuarial gains and losses used to determine future pension benefits. These changes are recorded directly in the Shareholders' Equity under retained earnings.

As provided for in IAS 1, the effects of the adjustment recorded under equity reserves are reported in a separate statement of changes in Shareholders' Equity (statement of comprehensive income), or in a format that summarises those income components which, in application of a particular international accounting standard, are recognised directly under equity reserves.

<u>Other provisions</u>

Other provisions for risks and charges are allocations against liabilities:

- arising from existing obligations (legal or implicit) of the company;
- the regulation of which will involve the use of economic resources by the company;
- whose value can be reliably measured;
- the amount or timing of which is uncertain.

The value of the loss of economic resources must be discounted, if the time element of the financial settlement is significant; interest expense arising from the discounting process is recognised in the income statement.

Allocations to provisions are recognised in the income statement.

16 - Foreign currency transactions

Recognition criteria

Foreign currency transactions are recorded on initial recognition by applying the exchange rate prevailing on the date of the transaction to the foreign currency amount.

Measurement and recognition criteria for income components

At the end of each year, items in foreign currency are valued as follows:

- monetary items are converted at the exchange rate on the closing date;
- non-monetary items measured at historical cost are converted at the exchange rate in force on the date of the transaction;
- non-monetary items measured at fair value are converted using the exchange rates in force at the closing date.

17 - Insurance assets and liabilities

The Group does not manage insurance assets and liabilities.

18 - Other information

<u>Treasury shares</u>

Any treasury shares held or for which there is a purchase commitment are deducted from shareholders' equity. No gain or loss is recognised in profit or loss on the purchase/sale/issue or derecognition of equity instruments. The consideration paid or received is recognised in the shareholders' equity.

<u>Employee severance indemnity</u>

The employee severance indemnity and the length of service bonus are recognised on the basis of their actuarial value determined annually.

<u>Recognition of revenues and costs</u>

Revenues are recognised when received or when it is considered probable that the benefits will be received and said benefits can be reliably quantified.

In particular:

- interest on late payments is recognised in the income statement when it is collected;
- dividends are recognised in the income statement in the year in which their distribution is approved;
- commissions are recognised on an accrual basis, except for those considered in amortised cost for the purpose of determining the "effective interest rate", which are recognised under interest;
- administrative costs and expenses are recognised on an accrual basis.

<u>Methods for determining the fair value of assets and liabilities</u>

Fair value is defined by IFRS 13 as the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular course of business in the principal (or most advantageous) market at the measurement date, under current market conditions (i.e. a closing price), irrespective of whether that price is observable directly or estimated using a valuation technique.

1. <u>Assets and liabilities measured at fair value through profit or loss</u>:
   - <u>financial assets held for trading</u>: to determine the fair value of debt and equity securities listed (contributed) in an active market (level 1), the market prices of the last day of the reference year are

used. In the absence of an active market (level 2), estimation and valuation methods based on market data and usually accepted in financial practice are used. These include: calculations of discounted cash flows, values recognised in recent transactions, valuations of listed instruments with similar characteristics and fund NAV. To determine the fair value of derivative contracts, estimation methods and valuation models are used, such as the discounting of expected cash flows, through an internal valuation method carried out by the Risk Management Service;

- financial assets measured at fair value: assets are measured at fair value, determined on the basis of the same criteria described for financial assets held for trading;
- other financial assets mandatorily measured at fair value: the assets are measured at fair value, determined on the basis of the same criteria illustrated for financial assets held for trading.

2. Hedging derivatives: contracts are valued using the same criteria used for the valuation of contracts recorded under assets held for trading.
3. Financial liabilities measured at fair value: fair value is measured using valuation methods based on market data and usually accepted in financial practice are used. These include: calculations of discounted cash flows, values recognised in recent transactions, valuations of listed instruments with similar characteristics.
4. Property, plant and equipment held for investment purposes: the fair value measurement is carried out on the basis of appraisals prepared at least once a year by a qualified third party chosen from among the leading companies in the sector, as detailed in the following Part B, section 9.4 of Assets.
5. Property, plant and equipment held for business use: the fair value measurement is carried out on the basis of appraisals prepared by a qualified third party chosen from among the leading companies in the sector as described in more detail in the following Part B, sections 9.1 and 9.3 of Assets; the valuation is carried out with sufficient regularity to ensure that the carrying amount does not differ significantly from the value that would be determined using the fair value at the reporting date.
6. Assets and liabilities measured at fair value through other comprehensive income: assets are measured at fair value, determined on the basis of the same criteria described for financial assets held for trading. For equity securities where it is not possible to determine the fair value reliably, the cost is maintained (level 3).
7. Assets and liabilities recognised at cost or amortised cost for which fair value is disclosed in the Notes to the financial statements:
    - asset and liability relations with customers and banks on demand, or with short-term or indefinite maturity: the fair value is equal to the carrying amount net of the analytical or collective write-down;
    - medium/long-term asset and liability relations with customers and banks: the fair value is determined by discounting future cash flows;
    - securities issued: for listed/contributed liabilities, the fair value is determined using the market prices of the last day of the reference year. For the remaining liabilities, the same methodology as described for financial liabilities measured at fair value is used.

Business combinations, goodwill and changes in shareholdings

A business combination may involve the purchase of the net assets of another entity, including any goodwill, or the purchase of the equity of another entity (mergers, contributions, and acquisitions of business units). Such a combination does not result in an ownership relationship similar to that between a parent and a subsidiary and, therefore, IFRS 3 applies in such cases even in the separate financial statements of the acquirer.

Business combinations are accounted for using the purchase method, whereby the identifiable assets acquired and liabilities assumed, including contingent assets/liabilities, are recognised at their fair values at the acquisition date.

Any excess of the consideration transferred with respect to the fair value of the identifiable net assets is recognised as goodwill and is allocated, at the acquisition date, to the individual cash-generating units, or to groups of cash-generating units that should benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquiree are assigned to these units or groups of units.

If the transfer consideration is lower than the fair value of the identifiable net assets, the difference is recognised immediately in the income statement as revenue under the item "Other operating income", after a new measurement to ensure that all assets acquired and liabilities assumed are correctly identified.

Changes to the consideration transferred are possible if they derive from additional information on facts and circumstances that existed at the acquisition date and are recognisable within the measurement period of the business combination (i.e. within twelve months of the acquisition date). Any other change that derives from events or circumstances subsequent to the acquisition, such as those recognised in the seller's favour linked to the achievement of some income performances, shall be recognised in the income statement.

The identification of the fair value of assets and liabilities must be finalised within a maximum period of twelve months from the acquisition date (measurement period).

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

This section shows the financial assets that have been reclassified. Specifically, the tables represent respectively i) the information relating to the change in the business model resolved by the Parent Bank with effect from 1 January 2019, with which financial assets were reclassified from a "held to collect and sell" to a "held to collect" business model; ii) information relating to the reclassification of financial assets carried out by the Parent Bank in 2008, the year in which, following the crisis that occurred on the international financial markets, the International Accounting Standards Board (IASB) published an amendment to the international accounting standards IAS 39 and IFRS 7 allowing the reclassification of some financial instruments from the trading book to other portfolios. This reclassification is permitted only in "rare" circumstances that correspond, for example, to the situation of the financial markets that emerged during the third quarter of 2008.

In light of the extraordinary market situation, the fact that the quantified impairment losses were mainly related to market tensions and not to the evident and permanent deterioration of the creditworthiness of the counterparties, and the general orientation of the banking system towards the adoption of this amendment, the Parent Bank has adopted it and reclassified portions of its financial instruments from the "financial assets held for trading" portfolio to the "financial assets available for sale" portfolio as of 29 October 2008.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

Type of financial instrument (1)	Origin portfolio (2)	Target portfolio (3)	Fair value at 31.12.2021 (4)	Capital gains/losses in the absence of transfer to the income statement (pre-tax)		Gains/losses in the absence of the transfer in equity (pre-tax)	
				31.12.2021	31.12.2020	31.12.2021	31.12.2020
				(5)	(6)	(7)	(8)
Government bonds	Fair value through Other comprehensive income (HTCS)	Amortised cost (HTC)	244,854			(7,822)	(19,346)
Other debt securities	Fair value through Other comprehensive income (HTCS)	Amortised cost (HTC)	45,939			(229)	(477)
Total			**290,793**			**(8,051)**	**(19,823)**

Quantitative information from the 2008 reclassification is provided below.

Type of financial instrument (1)	Origin portfolio (2)	Target portfolio (3)	Fair value at 31.12.2021 (4)	Capital gains/losses in the absence of transfer to the income statement (pre-tax)		Gains/losses in the absence of the transfer in equity (pre-tax)	
				31.12.2021 (5)	31.12.2020 (6)	31.12.2021 (7)	31.12.2020 (8)
UCITS units	Fair value through profit and loss	Available for sale	330	107	(148)		

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

With reference to the change in the business model carried out by the Bank with effect from 1 January 2019, at 31 December 2021 the fair value of the reclassified securities was equal to Euro 290,793 thousand. At that date, the average internal rate of return was 0.56% and the expected cash flows from 31 December 2021 to maturity amounted to Euro 6,495 thousand.

By contrast, with reference to the restatement of financial assets carried out in 2008, at 31 December 2021, the fair value of the reclassified securities was equal to Euro 330 thousand before taxes. At that date, the average internal rate of return, in the absence of debt securities with coupon flows, was not determined, and the expected cash flows are zero.

A.4 - INFORMATION ON FAIR VALUE

Qualitative information

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

The Group assigns the highest priority to prices recorded on active regulated markets (Fair value level 1).

If directly observable prices on active markets are not available, valuation techniques are used that maximise the use of information available on the market and are affected as little as possible by subjective valuations or internal assumptions. The valuation techniques and inputs used for the various types of financial instruments measured/not measured at fair value on a recurring basis are described below.

For the determination of the fair value of debt securities not listed in an active market or that are not available on info providers in the context of electronic trading circuits and are visible as operating quotations of individual contributors to which one has immediate access, the Group makes use, where available, of prices observed on non-active markets and/or recent transactions carried out on similar instruments in active markets (so-called comparable approach). By way of example, price indications obtainable from info providers such as Bloomberg and Reuters are taken into consideration, or failing that, by using valuations provided by Issuers, contributors or institutional counterparties specialised in dealing in the financial instruments being valued. The fair value thus determined is assigned to level 2 of the Fair Value Hierarchy.

If no information source as described above is available or if it is believed that the available sources do not reflect the true fair value of the financial instrument, a model valuation approach is used, which mainly uses inputs observable on the market to estimate the possible factors that affect the fair value of a financial instrument. The fair value thus determined is also assumed to be level 2 of the Fair Value Hierarchy. If for one or more risk factors it is not possible to refer to market inputs, internally determined parameters are used on a historical-statistical basis which, where significant, entail the assignment of a level 3 of the Fair Value Hierarchy.

To determine the fair value of an equity security not listed in an active market, the Bank uses:

- an approach based on financial and/or income methodology depending on the company analysed and the data available. For the banking companies, an income/balance sheet scenario is reconstructed with a contextual comparison between forecast CET1 values and target CET1 values. This approach allows for the quantification of dividend distribution in order to obtain a Dividend Discount Model. For non-bank companies, a financial approach is used with both asset side and equity side valuations. Finally, particular cases or situations with contingent market variables are valued based on stock market multipliers or on a "Gordon-model" basis, assuming a normalised and constant income scenario over the long term;
- the value corresponding to the portion of shareholders' equity held, as shown in the company's latest approved financial statements;
- the prices of direct transactions in the same or similar securities observed over a reasonable period of time from the valuation date;
- the value resulting from independent appraisals if available.

The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

In the presence of a fair value that cannot be reliably determined, the cost is maintained as the carrying amount; this case occurs if the results of the valuation differ significantly.

To determine the fair value of UCITS units not listed in an active market, the Group uses the NAV communicated by the Management Company without making any adjustments.

Investments in UCITS, whose NAV is updated and published periodically (at least every six months) and is representative of the amount at which the position can be partially or fully liquidated at the initiative of the holder, are classified in level 2 of the Fair Value Hierarchy. A similar classification is also used for capitalisation certificates held and valued on the basis of the redemption value communicated by the issuer, coinciding with the amount of the "mathematical reserve" certified year by year.

For the valuation of the bonds issued by the Bank, specific valuation models of the Discounting Cash Flow type are used, which envisage the discounting of expected cash flows through the use of a discount curve.

In application of the provisions of IFRS 13, financial liabilities at fair value are measured considering their own credit risk, through the income statement. This accounting treatment remains valid even after the entry into force of IFRS 9, according to which the changes in fair value attributable to credit risk are generally recognised in a special valuation reserve (other comprehensive income). This is because the same standard identifies an exception to this accounting criterion, where this involves the creation or expansion of an accounting asymmetry in the recognition of the fair value delta of the liability and those of the relative derivative.

This valuation technique (fair value level 2) is consistent with the quantification of the initial fair value of the obligation, which is always recognised in the financial statements at the amount received for the transfer of the liability.

To determine the fair value of over the counter (OTC) derivative contracts, valuation techniques are used that predominantly use significant inputs, based on observable market parameters (Interest rate curves, Volatilities, Credit curves, Spot price, etc.) which are aseptically obtained from the Reuters info-provider.

For short-term "Loans to banks" and "Due to banks" (maturing within 12 months), the carrying amount is conventionally assumed as fair value, while medium/long-term amounts are measured according to the methodology of discounting the cash flows provided for in the contract, through the use of risk-free curves, if necessary, corrected to take into account the credit risk of the counterparty or own. The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

For short-term "Loans to customers" (falling due within 12 months), the fair value is conventionally assumed to be the carrying amount. The measurement of medium/long-term loans corresponds to the amount of the contractually expected future cash flows, including interest, discounted on the basis of the risk-free rate curve. The expected nominal future cash flows are adjusted for expected losses using the probability of default (PD) and loss given default (LGD) parameters attributed to the specific risk class and determined in accordance with IFRS 9 - Impairment, i.e. with a forward-looking perspective, therefore modified in substance compared to the previous historical-statistical analysis. The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

For short-term "Due to customers" (falling due within 12 months), the fair value is conventionally assumed to be the carrying amount. Medium- and long-term liabilities other than bonds issued as described above are valued on the basis of the discounted cash flow method of the contractually expected cash flows, adjusted if necessary to take into account their credit risk. The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

A.4.2 Evaluation processes and sensitivity

On the basis of the above, the financial instruments measured at fair value on a recurring basis and classified in level 3 of the hierarchy provided for in IFRS 13 refer exclusively to some equity investments of an insignificant amount for which any sensitivity analysis would therefore be insignificant.

A.4.3 Fair value hierarchy

The methods for determining the fair value for the various types of financial instruments are the same as those used in previous years and did not give rise to any transfers between the different levels of the fair value hierarchy provided for in IFRS 13.

A.4.4 Other information

There is no other information worthy of mention.

A.4 - INFORMATION ON FAIR VALUE

Quantitative disclosure

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss of which	124,281	168,062	863	119,891	143,612	500
a) financial assets held for trading	49,677	679	773	48,940	638	500
b) financial assets designated at fair value						
c) other financial assets mandatorily measured at fair value	74,604	167,383	90	70,951	142,974	
2. Financial assets measured at fair value through other comprehensive income	349,923	135	25,368	65,727		59,805
3. Hedging derivatives		5,588				
4. Property, plant and equipment						
5. Intangible assets						
Total	**474,204**	**173,785**	**26,231**	**185,618**	**143,612**	**60,305**
1. Financial liabilities held for trading		508			221	
2. Financial liabilities designated at fair value		14,275			14,802	
3. Hedging derivatives		504			5,159	
Total		**15,287**			**20,182**	

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 measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	500	500			59,805			
2. Increases	363	273		90	5,588			
2.1 Purchases	90			90	2,530			
2.2 Gains	273	273			3,058			
2.2.1 Income statement	273	273						
- of which: capital gains	273	273						
2.2.2 Equity		X	X	X	3,058			
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases					(40,026)			
3.1 Sales					(39,117)			
3.2 Refunds								
3.3 Losses								
3.3.1 Income statement								
- of which capital losses								
3.3.2 Equity		X	X	X	(909%)			
3.4 Transfers to other levels								
3.5 Other decreases								
4. Closing balance	863	773		90	25,367			

This table shows the changes that took place in the financial year 2021 on financial assets classified at level 3 of the fair value hierarchy; it also includes some minority interests in unlisted companies. At 31 December 2021, the sale of the investment in Cedacri S.p.A. was recorded for a carrying amount of Euro 39,117 thousand, represented in point 3.1. of this table.

The annual changes also include:

- the revaluation of the investment in Satispay S.p.A. represented here in the column of financial assets held for trading, whose carrying amount was adjusted to the price of a substantial capital increase completed in 2021 and which saw the entry into the share capital of Satispay of various investors at a price per share of 43.00; this value adjustment resulted in the recognition of a capital gain of Euro 273 thousand;
- the write-down of the investment in Funivie Folgarida e Marilleva S.p.A. amounting to Euro 909 thousand, as a result of the analysis carried out on an income assessment that is based on terminal value and net financial position; the terminal value incorporates a sustainable net income based on a normalised profit (pre-pandemic) and sustainable in the long term. The resulting value of the stake held by Sparkasse is equal to Euro 1,091 thousand.

It should also be noted that with regard to the co-interest in SIA SSB S.p.A. at 31 December 2021, information has already been disclosed that the company will be merged into NEXI S.p.A. at an exchange rate of 1.5761 NEXI shares for each SIA SSB share held; the legal effectiveness of the transaction is set for 1 January 2022, but the carrying amount of the investment in SIA SSB was adjusted to the value of the NEXI shares that were assigned to us post-merger at the stock exchange price (NEXI is listed in Milan) corresponding to Euro 3,111 thousand with a capital gain in shareholders' equity of Euro 3,058 thousand.

Finally, among the purchases we highlight:

- the entry in the capacity as subsidising shareholder in the assets of ITAS Mutua Assicurazioni with an investment of Euro 2.5 million;
- the purchase of a nominal amount of Euro 30 thousand in Valia S.p.A., an insurance brokerage company;
- the purchase of a nominal amount of Euro 90 thousand in HOPE S.p.A. SICAV.

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2021				31.12.2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	9,875,020	3,029,420		7,280,874	9,178,951	2,559,191	28,679	7,129,918
2. Property, plant and equipment held for investment purposes					122,922			122,922
3. Non-current assets and groups of assets held for sale	929			929	9,289			9,289
Total	**9,875,949**	**3,029,420**		**7,281,803**	**9,311,162**	**2,559,191**	**28,679**	**7,262,129**
1. Financial liabilities measured at amortised cost	10,096,301		102,213	10,000,223	9,183,226		101,777	9,088,516
2. Liabilities associated with assets held for sale	507			507	483			483
Total	**10,096,808**		**102,213**	**10,000,730**	**9,183,709**		**101,777**	**9,088,999**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 - INFORMATION ON THE "DAY ONE PROFIT/LOSS"

According to IFRS 7, paragraph 28, evidence must be provided of the amount of the "Day One Profit or Loss" to be recognised in the income statement at 31 December 2021, as well as a reconciliation to the opening balance. "Day One Profit or Loss" is the difference between the fair value of a financial instrument acquired or issued at initial recognition (transaction price) and the amount determined at that date using a valuation technique. In this regard, it should be noted that there are no cases that should be disclosed in this section.

Part B - Information on the Consolidated balance sheet

Assets

Section 1 - Cash and cash equivalents - item 10

Cash and cash equivalents: breakdown

	31.12.2021	31.12.2020
a) Cash	46,968	42,955
b) Current accounts and demand deposits with central banks		
c) Current accounts and demand deposits with banks	72,178	58,980
Total	**119,146**	**101,935**

The item "Cash" includes the amounts of cash in euro and in other currencies held by Cassa Centrale, the cash of the branches and the ATMs at the reference dates.

Effective from 31 December 2021, following the seventh update of Bank of Italy Circular no. 262 "The bank financial statements: formats and rules for preparation", the item "Cash and cash equivalents" also includes demand deposits with banks. This update has brought the presentation of the financial statements more in line with FINREP reporting. The comparison period at 31 December 2020 was therefore subject to restatement and shows in this Item, instead of in Item 40, demand deposits with banks.

The value of balances in currencies other than the Euro amounted to Euro 716 thousand (Euro 1,257 thousand at 31 December 2020).

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

2.1 Financial assets held for trading: breakdown by type

Items/Values	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	31,521			28,706		
1.1 Structured securities						
1.2 Other debt securities	31,521			28,706		
2. Equity securities			773			500
3. UCITS units	17,773			20,104		
4. Loans						
4.1 Reverse repurchase agreements						
4.2 Others						
Total A	**49,294**		**773**	**48,810**		**500**
B. Derivative instruments						
1. Financial derivatives	383	679		130	638	
1.1 trading	383	532		130	224	
1.2 related to the fair value option		147			414	
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 related to the fair value option						
2.3 other						
Total B	**383**	**679**		**130**	**638**	
Total (A+B)	**49,677**	**679**	**773**	**48,940**	**638**	**500**

The total of "Financial assets held for trading" is substantially in line with the figures of the previous year, recording a modest increase of Euro 1,051 thousand.

The investments of the Retired Staff Pension Fund A-A1 included under the same on-balance sheet assets amounted to Euro 48.3 million (of which Euro 17.8 million in units of UCITS).

The values shown in line B.1.2 "Financial derivatives - related to the fair value option" represent the positive fair value of interest rate risk hedging instruments on bonds issued.

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

Items/Values	31.12.2021	31.12.2020
A. On-balance sheet assets		
1. Debt securities	**31,521**	**28,706**
a) Central Banks		
b) Public administrations	29,805	28,706
c) Banks	216	
d) Other financial companies	424	
of which: insurance companies	110	
e) Non-financial companies	1,076	
2. Equity securities	**773**	**500**
a) Banks		
b) Other financial companies		
of which: insurance companies		
c) Non-financial companies	773	500
d) Other issuers		
3. UCITS units	**17,773**	**20,104**
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	**50,067**	**49,310**
B. Derivative instruments		
a) Central counterparties		
b) Other	1,062	768
Total B	**1,062**	**768**
Total (A+B)	**51,129**	**50,078**

The categories of funds included in the item "UCITS units" are as follows and for the following values:

- Flexible	11,550
- Balanced	6,223
Total	**17,773**

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

Items/Values	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**23,596**	**95,319**		**5,768**	**92,789**	
1.1 Structured securities						
1.2 Other debt securities	23,596	95,319		5,768	92,789	
2. Equity securities		**23,695**	**90**			
3. UCITS units	**51,008**	**48,369**		**65,183**	**50,185**	
4. Loans						
4.1 Repurchase agreements						
4.2 Others						
Total	**74,604**	**167,383**	**90**	**70,951**	**142,974**	

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

The categories of funds included in the item "UCITS units" are as follows and for the following values:

- Bonds	51,008
- Flexible	2,200
- Equity	1,873
- Closed real estate	44,296
Total	**99,377**

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

Items/Values	31.12.2021	31.12.2020
1. Equity securities	**23,785**	
of which: banks	23,695	
of which: other financial companies	90	
of which: non-financial companies		
2. Debt securities	**118,915**	**98,557**
a) Central Banks		
b) Public administrations		
c) Banks	19,744	4,808
d) Other financial companies	99,171	92,605
of which: insurance companies	96,332	91,907
e) Non-financial companies		1,144
3. UCITS units	**99,377**	**115,368**
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	**242,077**	**213,925**

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

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

Items/Values	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	340,246			57,357		
1.1 Structured securities						
1.2 Other debt securities	340,246			57,357		
2. Equity securities	9,677	135	25,368	8,370		59,805
3. Loans						
Total	349,923	135	25,368	65,727		59,805

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

With reference to the grouping referred to in point 2. "Equity securities" of the previous table, details of the individual equity investments classified herein are provided; other equity securities classified under "Equity OCI option" for a total of Euro 5,145 thousand must be added to the minority interests.

Figures in Euro

	Nominal amount	Percentage of capital	Carrying amount
Equity securities - Banks			**16,690,303**
Bank of Italy - Rome	9,425,000	0.126	9,425,000
Mediocredito Trentino-Alto Adige S.p.A. - Trento	4,563,000	7.802	6,977,849
Banca Popolare di Cividale S.p.A. - Cividale (UD)	77,130	0.151	135,492
Banca Popolare di Puglia e Basilicata S.p.A. - Altamura (BA)	335,096	0.244	151,962
Equity securities - Other issuers: insurance companies			**6,879,205**
NET INSURANCE S.P.A. - Rome	639,300	3.656	4,379,205
ITAS MUTUA Assicurazioni (TN)			2,500,000
Equity securities - Other issuers: non-financial companies			**6,465,452**
SIA - SSB S.p.A. - Milan	18,341	8.23388232828	3,110,803
Bancomat SpA	4,368	0.397	-
CBI S.p.c.A.	6,016	0.654	-
VALIA SPA			30,000
SWIFT - Brussels	875	6.35699041911	13,917
BZS Holding Gmbh - Innsbruck (A)	6,000	4.000	6,000
Funivie Madonna di Campiglio S.p.A. - Pinzolo (TN)	156,821	2.845	2,186,174
Funivie Folgarida e Marilleva S.p.A. az. Ord. - Dimaro (TN)	396,714	1.154	545,291
Funivie Folgarida e Marilleva S.p.A. az. Priv. - Dimaro (TN)	396,843	1.155	545,469
Teleriscaldamento Termo elettrico Dobbiaco/San Candido Scarl	20,141	0.410	25,513
Azienda Energetica Prato Scarl - Prato allo Stelvio	630	0.198	630
Cooperativa Acqua Potabile San Michele - Appiano	20	9.4E-2	5
WuEgA - Wärme und Energie Genossenshaft Ahrntal	1,650		1,650
Total			**30,034,960**

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

Items/Values	31.12.2021	31.12.2020
1. Debt securities	340,246	57,357
a) Central Banks		
b) Public administrations	340,246	55,324
c) Banks		2,033
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
2. Equity securities	**35,180**	**68,175**
a) Banks	16,690	16,719
d) Other issuers:	18,490	51,456
- Other financial companies	7,398	3,806
of which: insurance companies	7,306	3,719
- Non-financial companies	11,092	47,650
- 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	375,426	125,532

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total value adjustments

	Gross amount					Total value adjustments				Total partial write-offs (*)
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities	340,318	340,318				(72)				
Loans										
Total 31.12.2021	340,318	340,318				(72)				
Total 31.12.2020	57,373	57,373				(16)				

The table shows the total value adjustments on financial assets measured at fair value through other comprehensive income. The gross amount corresponds to the carrying amount of the financial assets, gross of total value adjustments and net of total write-offs.

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total value adjustments

This table is not completed as no loans measured at fair value through other comprehensive income were disbursed by the Bank; therefore, there are no loans subject to COVID-19 support measures.

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

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

Type of transactions/values	31.12.2021						31.12.2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Loans to Central Banks	**418,214**						**381,250**					
1. Term deposits				X	X	X				X	X	X
2. Compulsory reserve	418,214			X	X	X	379,001			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X	2,249			X	X	X
B. Loans to Banks	**121,093**						**148,987**					
1. Loans	4,677						7,424					
1.1 Current accounts				X	X	X				X	X	X
1.2 Term deposits	4,345			X	X	X	7,332			X	X	X
1.3 Other loans:	332			X	X	X	92			X	X	X
- Repurchase agreements				X	X	X				X	X	X
- Lease financing				X	X	X				X	X	X
- Other	332			X	X	X	92			X	X	X
2. Debt securities	116,416			118,369			141,563			143,639		
2.1 Structured securities												
2.2 Other debt securities	116,416			118,369			141,563			143,639		
Total	**539,307**			**118,369**		**422,891**	**530,237**			**143,639**		**388,674**

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

Type of transactions/values	31.12.2021						31.12.2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
Loans	6,364,734	82,515	1,605				6,106,196	106,306	3,323			
1.1 Current accounts	552,708	7,035	30	X	X	X	598,714	15,785	57	X	X	X
1.2 Reverse repurchase agreements				X	X	X				X	X	X
1.3 Mortgages	4,944,596	68,874	1,534	X	X	X	4,702,158	83,608	3,221	X	X	X
1.4 Credit cards, personal loans and salary-backed loans	49,080	259	29	X	X	X	53,275	171	39	X	X	X
1.5. Lease financing	2,379			X	X	X	4,848			X	X	X
1.6. Factoring				X	X	X				X	X	X
1.7 Other loans	815,971	6,347	12	X	X	X	747,201	6,742	6	X	X	X
Debt securities	2,886,859			2,911,051		23,652	2,373,909			2,415,552	28,679	
2.1 Structured securities												
2.2. Other debt securities	2,886,859			2,911,051		23,652	2,373,909			2,415,552	28,679	
Total	9,251,593	82,515	1,605	2,911,051		6,857,983	8,480,105	106,306	3,323	2,415,552	28,679	6,682,264

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

Type of transactions/values	31.12.2021			31.12.2020		
	First and second stage	Third stage	Purchased or originated impaired	First and second stage	Third stage	Purchased or originated impaired
1. Debt securities	**2,886,859**			**2,373,909**		
a) Public administrations	2,833,112			2,288,671		
b) Other financial companies	47,077			73,198		
of which: insurance companies						
c) Non-financial companies	6,670			12,040		
2. Loans to:	**6,364,734**	**82,515**	**1,605**	**6,106,196**	**106,306**	**3,323**
a) Public administrations	53,785			55,529		
b) Other financial companies	154,138	656		110,482	6,124	
of which: insurance companies						
c) Non-financial companies	3,641,082	57,663	1,180	3,528,189	71,344	2,634
d) Households	2,515,729	24,196	425	2,411,996	28,838	689
Total	**9,251,593**	**82,515**	**1,605**	**8,480,105**	**106,306**	**3,323**

4.4 Financial assets measured at amortised cost: gross amount and total value adjustments

	Gross amount					Total value adjustments				Total partial write-offs (*)
	First stage	of which: instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities	2,978,953	2,978,953	25,271			(678)	(271)			
Loans	6,030,566		783,883	252,001	5,311	(6,256)	(20,568)	(169,486)	(3,706)	(63,312)
Total 31.12.2021	**9,009,519**	**2,978,953**	**809,154**	**252,001**	**5,311**	**(6,934)**	**(20,839)**	**(169,486)**	**(3,706)**	**(63,312)**
Total 31.12.2020	**8,173,797**	**2,488,108**	**925,523**	**340,203**		**(9,490)**	**(20,382)**	**(230,700)**		**(57,853)**

The table shows the total value adjustments on financial assets measured at amortised cost. The gross amount corresponds to the carrying amount of the financial assets, gross of total value adjustments and net of total write-offs.

4.4a Loans measured at amortised cost, subject to COVID-19 support measures: gross amount and total value adjustments

	Gross amount					Total value adjustments				Total partial write-offs (*)
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
1. Loans subject to forbearances compliant with GL	103,371		24,046	3,617		(70)	(395)	(2,230)		
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as subject to forbearances										
3. Loans subject to other forbearance measures			130,908	43,795			(4,472)	(24,327)		
4. New loans	488,709		82,512	8,219		(304)	(294)	(1,358)		
Total 31.12.2021	**592,080**		**237,466**	**55,631**		**(374)**	**(5,161)**	**(27,915)**		
Total 31.12.2020	**1,611,964**		**377,107**	**44,495**		**(2,304)**	**(9,358)**	**(17,684)**		

The table, included in these financial statements as a supplement to the provisions of Circular no. 262 "The bank financial statements", as per the communication of 15 December 2020 by the Bank of Italy, aims to provide information on the effects that COVID-19 and the measures to support the economy have produced on the economic and financial position of banks.

In line "1. Loans subject to forbearances compliant with GL", the information relating to financial assets subject to moratorium that fall within the scope of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" published by the EBA (EBA/GL/2020/02) is shown. Point 2. provides information on loans subject to COVID-19 support measures that meet the exposure conditions subject to forbearance as defined by current supervisory reports and which are not included in the previous category.

Line "3. New loans" includes, among other things, financial assets recognised as a result of forbearance measures that led to a refinancing with derecognition of the original asset and the recognition of a new loan.

Section 5 - Hedging derivatives - item 50

5.1 Hedging derivatives: breakdown by type of hedge by level

	Fair value 31.12.2021			NV 31.12.2021	Fair value 31.12.2020			NV 31.12.2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives		**5,588**		**152,473**				**46,388**
1) Fair value		5,588		152,473				46,388
2) Cash flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**5,588**		**152,473**				**46,388**

Key:
NV = Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

For a description of these transactions, see table 5.2 below.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair value							Cash flows		Foreign investm.
	Micro						Macro	Micro	Macro	
	Debt securities and interest rates	Equity securities and equity indices	Currencies and gold	Credit	Goods	Other				
1. Financial assets measured at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets measured at amortised cost		X			X	X	X		X	X
3. Portfolio	X	X	X	X	X	X	5,588	X		X
4. Other transactions							X		X	
Total Assets							5,588			
1. Financial liabilities		X					X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total Liabilities		-								
1. Expected transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

The carrying amount of derivatives shown in this table refers to the positive fair value of derivatives hedging a portfolio of fixed-rate mortgages for which the Parent Bank has hedged the interest rate risk with two IRSs with which it has "swapped" the fixed rate with a floating rate. These contracts are managed under a macrohedging regime for accounting purposes. One of the two still has a negative fair value at 31 December 2021 and is therefore shown in the corresponding table 4.1 of Liabilities.

It should be noted that the fair values of derivatives designated to hedge loans with caps (interest rate caps) amounted to approximately Euro 2 thousand at 31 December 2021. These hedges are configured as Fair Value Hedging transactions as required *by IAS 39.*

In this regard, the required prospective and retrospective tests were carried out; on the basis of the partial ineffectiveness of the tests carried out in the valuations at 31 December 2021 of the hedges relating to loans with a cap, a partial unwinding operation was necessary on some contracts, with the realignment of the notional amount to the residual debt covered; as a result of this operation, the test was passed. The value relating to the ineffective portion of the derivative is therefore stated under financial assets held for trading (Item 20.a) of Assets) rather than under hedging derivatives with fair value deltas through profit or loss.

Section 6 - Value adjustment of macro-hedged financial assets - item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

Value adjustment of hedged assets/Values	31.12.2021	31.12.2020
1. Positive adjustment		**4,055**
1.1 of specific portfolios:		4,055
a) financial assets measured at amortised cost		4,055
b) financial assets measured at fair value through other comprehensive income		
1.2 comprehensive		
2. Negative adjustment	**(5,403)**	
2.1 of specific portfolios:	(5,403)	
a) financial assets measured at amortised cost	(5,403)	
b) financial assets measured at fair value through other comprehensive income		
2.2 comprehensive		
Total	**(5,403)**	**4,055**

The value adjustment of financial assets subject to macro fair value hedging relates to two separate portfolios of fixed-rate mortgages for which the interest rate risk has been hedged and included in the item "Financial assets measured at amortised cost". This item also includes a portfolio of floating-rate loans with a maximum ceiling (Cap) that was subject to macro fair value hedging with derivative contracts (interest rate swap). Since the hedge is macro, the profit/loss on the hedged item attributable to the hedged risk does not directly change the value of the hedged item (as in the case of micro hedging), but must be stated in this separate asset item. The amount of receivables subject to macro hedging is shown in table 6.2 below.

Valuation income and expenses relating to hedging derivatives and the hedged portfolio are recognised in item 90 of the income statement "Net profit (loss) from hedging".

The fair value of the aforementioned hedging derivatives is shown, based on the sign, in tables 5.2 of Assets or 4.2 of Liabilities, both referred to as "Hedging derivatives: breakdown by hedged portfolio and type of hedge", in the column "Macro Hedging".

6.2 Assets subject to macro hedging of interest rate risk

	31.12.2021	31.12.2020
1. Financial assets measured at amortised cost	306,225	337,488
2. Financial assets measured at fair value through other comprehensive income		
3. Portfolio		
Total	**306,225**	**337,488**

The table shows the value at amortised cost of both the fixed-rate mortgages on which the Bank has hedged its rate risk and the floating-rate mortgages for which, upon payment of an increase on the spread, the customer is guaranteed that the rate of the loan will never exceed the contractually established rate (Cap) included in the item "Financial assets measured at amortised cost - Loans to customers" and subject to macro hedging of interest rate risk as per table 5.2 above.

The sum of this value and that shown in table 5.2 shows the carrying amount of these receivables, adjusted for the profit or loss attributable to the hedged risk.

Section 7 - Equity investments - item 70

7.1 Equity investments: information on equity investments

Company names	Registered office	Operational office	Stake %	Availability of votes %
A. Companies controlled exclusively				
B. Companies controlled jointly				
C. Companies subject to significant influence				
1. Autosystem società di servizi S.p.A.	Trento	Pordenone	25.00	25.00

7.2 Significant equity investments: carrying amount, fair value and dividends received

	Carrying amount	Fair value	Dividends received
A. Companies controlled jointly			
B. Companies subject to significant influence	**6,384**		
1. Autosystem società di servizi S.p.A.	6,384		
Total	**6,384**		

7.3 Significant investments: accounting information

Company names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Net value adjustments/write-backs to property, plant and equipment and intangible	Profit (loss) from current operations before tax	Profit (loss) from current operations after tax	Profit (loss) from discontinued operations after taxes	Profit (loss) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
B. Companies controlled jointly														
B. Companies subject to significant influence														
1. Autosystem società di servizi S.p.A.	1,197	9,676	30,987	23,111	1,295	30,287	164	9,255	1,831	1,536		1,536		1,536

The data in this table refers to the last available economic and equity position of the investee company, i.e. at 31 December 2021.

7.5 Equity investments: annual changes

	31.12.2021	31.12.2020
A. Opening balance		
B. Increases	**6,384**	
B.1 Purchases	6,000	
B.2 Write-backs		
B.3 Revaluations		
B.4 Other changes	384	
C. Decreases		
C.1 Sales		
C.2 Value adjustments		
C.3 Write-downs		
C.4 Other changes		
D. Closing balance	**6,384**	
E. Total revaluations		
F. Total adjustments		

On 4 May 2021, the Parent Bank has acquired a 25.0% stake in the company Autosystem società di servizi S.p.A. for an equivalent value of Euro 6 million.

The amount shown in point B.4 of this table is attributable to the portion of the net profit realised by the company at 31 December 2021 which is included in the carrying amount since it is an investment subject to significant influence and therefore consolidated according to the equity method.

7.7 Commitments relating to equity investments in subsidiaries subject to joint control

At the reporting date, there are no commitments of the Group relating to equity investments in subsidiaries.

7.8 Commitments referring to equity investments in companies subject to significant influence

At the reporting date, there are no commitments of the Group relating to equity investments in companies subject to significant influence.

Section 9 - Property, plant and equipment - Item 90

9.1 Property, plant and equipment for business use: breakdown of assets measured at cost

Assets/Values	31.12.2021	31.12.2020
1. Owned assets	**31,024**	**26,791**
a) land	287	287
b) buildings	6,528	7,490
c) furniture	17,807	14,200
d) electronic systems	6,402	4,814
e) other		
2. Rights of use acquired through leases	**21,661**	**23,424**
a) land		
b) buildings	20,922	22,748
c) furniture		
d) electronic systems		
e) other	739	676
Total	**52,685**	**50,215**
of which: obtained through the enforcement of guarantees received		

This table includes the information relating to the Rights of use acquired through leases, in accordance with the provisions of IFRS 16, which entered into force as from 1 January 2019, according to which property, plant and equipment include rights of use relating to buildings and/or other assets for which there is a lease agreement.

It should also be noted that, starting from 2014, the Group revalued the properties used for business use previously measured at cost.

Assets recorded under property, plant and equipment held for business use are depreciated over the useful life of the asset determined as follows:

Property for business use measured at cost:	33 years and 4 months
Buildings - costs for leasehold improvements:	duration of the lease
Furniture - office equipment and machinery:	3 years
Furniture - hardware:	5 years
Furniture – ATMs:	8 years
Furniture - cars/means of transport:	3 years
Furniture - furnishings:	6 years and 8 months
Furniture - office furniture:	8 years and 4 months
Plants - cabling:	4 years
Plants - telephone:	5 years
Plants - equipment:	6 years and 8 months
Plants - active safety:	3 years and 4 months
Plants - other:	13 years and 4 months

9.3 Property, plant and equipment for business use: breakdown of revalued assets

Assets/Values	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Owned assets			**140,127**			**143,554**
a) land			38,696			38,972
b) buildings			101,431			104,582
c) furniture						
d) electronic systems						
e) other						
2. Rights of use acquired through leases						
a) land						
b) buildings						
c) furniture						
d) electronic systems						
e) other						
Total			**140,127**			**143,554**
of which: obtained through the enforcement of guarantees received						

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

As indicated at the bottom of the previous table, as from the recognition at 31 December 2014, the properties used by the Group, previously measured at cost (Cost Model), are measured using the Revaluation Model system provided for by IAS 16.

The application of this method involves the recognition of the properties at a value equal to their fair value, netted in subsequent years of the effects of the depreciation of said value. IAS 16 requires that the frequency of revaluations depends on fluctuations in the fair value of the revalued property, plant and equipment. When the fair value of the revalued asset differs materially from its carrying amount, a further revaluation is required. Frequent revaluations are not required for property, plant and equipment that have only insignificant fluctuations in their fair value. It may then only be necessary to reassess the asset every three to five years.

At the time of the valuation of the assets at 31 December 2019, the fair value of the properties for business use owned by the Group was restated by an external independent appraiser, as a period of 5 years had passed since the previous valuation.

In the absence of further significant deviations in the fair value of the property, plant and equipment classified here, no restatement of the same was carried out at 31 December 2021.

9.4 Property, plant and equipment held for investment purposes: breakdown of assets measured at fair value

Assets/Values	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Owned assets			**124,982**			**122,922**
a) land						
b) buildings			124,982			122,922
2. Rights of use acquired through leases						
a) land						
b) buildings						
Total			**124,982**			**122,922**
of which: obtained through the enforcement of guarantees received						

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The deviation of the fair value amounts shown in the table is reconstructed in table 9.7 below.

ASSESSMENT PROCESS OF THE REAL ESTATE ASSETS OWNED BY OF THE GROUP

The fair value of investment property is calculated by independent external appraisers (ref. company Punto RE), with recognised professional expertise and who have built recent experience in the type of property, by location and category, subject to valuation.

Owned assets assessment process

The Independent Appraiser, as part of the process for the appraisal of owned assets, has mainly used the valuation criterion based on the Comparative Approach (Market Approach), the Income Approach and the Transformation Approach.

The main elements identifying the valuation methods used are described below:

Comparative Approach (or Market Approach): is based on the comparison between the property and other comparable assets with it, recently bought/sold or currently offered on the same market or on competing markets;

Income Approach (Direct Capitalisation): is based on the determination of the market value of the unit by converting into a hypothetical value the annual income, deriving from existing leases or by default from estimated market rents (ERV) by means of a time correction factor better known as the capitalisation rate or Cap Rate representing the average ordinary yield required by operators in the real estate market of reference.

Financial Approach (DCFA - Discount Cash Flow Analysis): is based on the determination of the market value of the unit by converting the net cash flows expected over a well-defined time horizon into a hypothesis of present value through a Discount Rate that represents, in percentage terms, the risk linked to the fact that the aforementioned cash flows are generated by the asset in question.

Transformation approach: is based on the discounting, at the valuation date, of the cash flows generated by the real estate transaction over the period of time corresponding to its duration. This method can be associated with a financial valuation model (discounting of cash flows) based on a development project defined in terms of building quantities, intended use, transformation costs and sustainable revenues. In other words, a cost/revenue analysis is used to identify the Market Value of the property under investigation;

Cost Approach: is based on the cost that would be incurred to replace the property in question with a new asset with the same characteristics and usefulness as the property itself. This cost must be decreased in consideration of the various depreciation factors deriving from the conditions observed: utility, state of use, functional obsolescence, useful life, residual life, etc. compared to new assets of the same type.

Properties in the process of being developed have been valued on the basis of the actual progress of the building works (construction sites at an advanced stage of completion) by means of a specific analysis of the value potential expressed by them at the end of the works in progress (ref. "Transformation Method").

It should be noted that with regard to properties undergoing transformation for which a preliminary contract has been entered into, the Company evaluates the property using the sale price agreed between the parties less the transaction costs and, if the property is in a state of transformation and the sale takes place when the interventions are completed, also reducing the final costs.

Valuation technique and main unobservable inputs

The valuation technique used to measure the fair value of investment property and the main non-observable input data used in the valuation models is illustrated below.

Transformation Approach

With regard to properties subject to transformation/enhancement, the market value of the property complex was obtained using the Transformation Method and therefore considering the projection of both the revenues from the sale of the property units and all the cost items involved in the transformation of the asset.

With reference to the category of the costs, by way of example and not limited to, construction costs, urban planning expenses, design / technical expenses, property taxation, insurance, sales fees, etc. are included.

The projections were made in current currency and in particular, the revenues and costs reported relating to real estate development were considered.

All cash flows generated are discounted at the current time with an appropriate discount rate.

The construction of the discount rate was obtained analytically or through the Build-up Approach, which allows the breakdown of the rate according to the individual components of the real estate risk or through WACC (Weighted Average Cost of Capital) considering the component deriving from Own Funds (40%) and by Third Parties (60%).

The interest rate component relating to Own Equity was obtained by considering percentage shares relating to Government Bonds (10-year Btp), Inflation, Illiquidity Risk, Initiative Risk and Urban Planning Risk.

The interest rate component relating to Third Party Equity was obtained by considering percentage shares relating to 6-month Euribor, Inflation, Spread.

The level of the discount rate is inferred from the current average conditions of the economic and financial context of the capital market (rates applied for real estate transactions), considering the real yield of low-risk, medium-long term financial assets, to which an upward or downward adjustment component was applied to take into account the characteristics of the asset.

The adjustment components used concern the risks linked to illiquidity, the characteristics of the initiative (size, type, intended use) and the urban planning situation. The adjustment components used, due to the way the discount rate is structured (with the promoter's profit being separated out as a cost item) can generally range from 0% to 5%; the value chosen depends on the risks inherent in the specific real estate transaction, where 0% represents the zero risk, while 5% represents the maximum risk. The choice of the value linked to the individual risk also depends on the current situation of the local real estate market and the presence (and therefore also on the consequent performance) of comparable real estate initiatives.

9.6 Property, plant and equipment for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening gross balance	**39,259**	**142,570**	**63,320**	**30,981**	**30,667**	**306,797**
A.1 Total net impairment losses		(30,498)	(49,120)	(26,167)	(7,244)	(113,029)
A.2 Net opening balance	**39,259**	**112,072**	**14,200**	**4,814**	**23,423**	**193,768**
B. Increases		**2,275**	**6,369**	**2,762**	**2,966**	**14,372**
B.1 Purchases			4,916	2,340		7,256
B.2 Capitalised improvement expenses		1,888				1,888
B.3 Write-backs						
B.4 Positive changes in fair value charged to:						
a) shareholders' equity						
b) income statement						
B.5 Exchange gains						
B.6 Transfers from properties held for investment purposes			X	X	X	
B.7 Other changes		387	1,453	422	2,966	5,228
C. Decreases	**(277)**	**(6,387)**	**(2,762)**	**(1,174)**	**(4,728)**	**(15,328)**
C.1 Sales		(267)	(3)		(424)	(694)
C.2 Depreciation		(4,051)	(2,729)	(1,172)	(4,304)	(12,256)
C.3 Impairment losses recognised to:						
a) shareholders' equity						
b) income statement						
C.4 Negative changes in fair value charged to:						
a) shareholders' equity						
b) income statement						
C.5 Exchange losses						
C.6 Transfers to						
a) property, plant and equipment held for investment purposes			X	X	X	
b) non-current assets and groups of assets held for sale						
C.7 Other changes	(277)	(2,069)	(30)	(2)		(2,378)
D. Net closing balance	**38,982**	**107,960**	**17,807**	**6,402**	**21,661**	**192,812**
D.1 Total net impairment losses		(34,075)	(49,610)	(27,214)	(10,045)	(120,944)
D.2 Gross closing balance	**38,982**	**142,035**	**67,417**	**33,616**	**31,706**	**313,756**
E. Measurement at cost						

For the asset classes "Land" and "Buildings", both cost and revalued value are used as measurement criteria; see tables 9.1 and 9.3 above for the relevant opening and closing balances.

Since 2014, the Group has revalued the properties for business use by applying the Revaluation Model provided for in IAS 16. "Gross closing balance" include advances, for an amount of Euro 3,538 thousand, referring to the acquisition of various assets, for which the depreciation process has not yet begun.

The gross closing balance and the related impairment losses recognised in items D.1 and D.2 are not reflected in the changes for the period of the various asset classes due to the presentation of the derecognition of the value of discontinued assets at net values.

The amount in line B.2 is attributable to the capitalisation of costs for the year for the renovation of leased properties used as branches.

The "other changes" in lines B.7 and C.7 show any advances on restructuring paid in previous years and allocated to the correct asset category on completion of the works in the year ended 31 December 2021, as well as the gains/losses on disposal as per table 20.1 of the income statement.

9.7 Property, plant and equipment held for investment purposes: annual changes

	31.12.2021	
	Land	Buildings
A. Opening balance		**122,922**
B. Increases		**18,055**
B.1 Purchases		
B.2 Capitalised improvement expenses		13,506
B.3 Positive changes in fair value		1,913
B.4 Write-backs		
B.5 Exchange gains		
B.6 Transfers from properties for business use		
B.7 Other changes		2,636
C. Decreases		**(15,995)**
C.1 Sales		(11,655)
C.2 Depreciation		
C.3 Negative changes in fair value		(4,340)
C.4 Impairment losses		
C.5 Exchange losses		
C.6 Transfers to:		
a) properties for business use		
b) non-current assets and groups of assets held for sale		
C.7 Other changes		
D. Closing balance		**124,982**
E. Fair value measurement		

9.9 Commitments for the purchase of property, plant and equipment

At the reporting date, there are no significant commitments of the Group for the purchase of property, plant and equipment, with the exception of the costs already expected in the plan for the restructuring of existing branches.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type of asset

Assets/Values	31.12.2021		31.12.2020	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**X**		**X**	
A.1.1 attributable to the Group:	X		X	
A.1.2 attributable to minority interests:	X		X	
A.2 Other intangible assets	**16,193**	**850**	**11,289**	**850**
of which software			11,289	
A.2.1 Assets measured at cost:	16,193	850	11,289	850
a) Intangible assets generated internally				
b) Other assets	16,193	850	11,289	850
A.2.2 Assets measured at fair value:				
a) Intangible assets generated internally				
b) Other assets				
Total	**16,193**	**850**	**11,289**	**850**

Assets generated internally are not recorded.

The amount of intangible assets with a definite life is broken down as follows:

- costs for software for Euro 17,042 thousand with a definite useful life of 4 years. This residual carrying amount will be amortised in the amount of Euro 3,933 thousand, Euro 3,436 thousand, Euro 2,363 thousand and Euro 737 thousand, respectively, in the years 2022, 2023, 2024 and 2025; the item also includes advances of Euro 5,723 thousand paid for the acquisition of assets that have not yet been amortised.

The amount of Assets with "indefinite life" under item A.2.1 b) is attributable to the capitalisation of construction rights (building rights) associated with the sale of a portion of property held as investment by the Group.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance				**38,628**	**850**	**39,478**
A.1 Total net impairment losses				(27,339)		(27,339)
A.2 Net opening balance				**11,289**	**850**	**12,139**
B. Increases				**8,809**		**8,809**
B.1 Purchases				8,785		8,785
B.2 Increases in internal intangible assets	X					
B.3 Write-backs	X					
B.4 Positive changes in fair value						
- to shareholders' equity	X					
- to the income statement	X					
B.5 Exchange gains						
B.6 Other changes				24		24
C. Decreases				**(3,905)**		**(3,905)**
C.1 Sales						
C.2 Value adjustments				(3,657)		(3,657)
- Amortisation	X			(3,657)		(3,657)
- Write-downs:						
+ shareholders' equity	X					
+ income statement						
C.3 Negative changes in fair value:						
- to shareholders' equity	X					
- to the income statement	X					
C.4 Transfers to non-current assets held for sale						
C.5 Exchange losses						
C.6 Other changes				(248)		(248)
D. Net closing balance				**16,193**	**850**	**17,043**
D.1 Total net value adjustments				(30,965)		(30,965)
E. Gross closing balance				**47,158**	**850**	**48,008**
F. Measurement at cost						

Key:
DEF: Definite life
INDEF: Indefinite life

All intangible assets recognised in the financial statements are measured at cost.

Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities

Current tax assets

Current tax assets amounted to Euro 802 thousand and mainly refer to tax credits and IRAP advances pertaining to the Sparim group company.

There are no tax credits deriving from the IRES consolidation under current tax assets, as they are deducted from the respective tax payables under the item "current tax liabilities".

Current taxes are determined by applying the IRES rate of 27.5% and the IRAP rate of 4.64% to the respective taxable amounts as a result of the weighting between the IRAP rates applicable not only in the province of Bolzano but also in the province of Trento and in the regions of Veneto, Lombardy and Friuli Venezia Giulia where the Bank's branches operate, based on the market shares of customer deposits.

Deferred taxes are also determined by applying the IRES rate of 27.5% and the IRAP rate of 4.64% to the respective taxable amount.

In this regard, it should be noted that the 2016 Stability Law provided for the reduction of the IRES rate to 24%, with effect from the tax periods subsequent to the one in progress at 31 December 2016. However, this provision does not apply to credit institutions, which are required to increase the tax at a reduced rate of 3.5 percentage points. The surcharge, which negatively affects the tax burden of banks, was in any case also envisaged with the aim of not excessively penalising the banking system, effectively neutralizing the negative effect that the reduction in rate would have had on the large stocks of DTAs resulting from the deferred deductibility of write-downs and losses on receivables.

To be noted is that from 2019, the ACE facility (Aid to Economic Growth) was reinstated; this incentive, which had been abolished by the 2019 Budget Law, was reintroduced seamlessly, i.e. avoiding that the 2019 tax period was excluded from the benefit.

Current tax liabilities

At the reporting date, "Current tax liabilities" amounted to Euro 4,316 thousand and refer to the 2021 payable deriving from the IRES consolidation, as well as the 2021 IRAP tax payable, net of the tax credits deriving from the national tax consolidation.

Details on the breakdown and change in the year of "Deferred tax assets" and "Deferred tax liabilities" are shown in the following tables.

11.1 Deferred tax assets: breakdown

	Taxable amount	Taxes
Value adjustments to loans to customers, deductible on a straight-line basis in the ten years following their recognition in the income statement	197,687	60,730
IRES tax loss	15,596	1,053
Allocation to the provision for risks on endorsement loans	8,623	2,371
Allocations not deducted from the Pension Fund	828	228
Other allocations to the provisions for risks and charges (revocation actions, lawsuits, deferred charges for personnel not defined contractually, solidarity fund and sundry risks)	11,762	3,359
Redemption of goodwill of Millennium SIM S.p.A.	1,289	414
Goodwill from acquisition of the Banca Sella business unit	6,912	2,222
Other expenses with deferred deductibility	1,137	371
Measurement of financial assets and derivative instruments	6,380	644
Adjustments to property, plant and equipment and intangible assets	33,285	9,135
Write-down of IAS/IFRS receivables	49,876	14,270
Other IAS/IFRS adjustments	6	2
Total	**333,381**	**94,799**

The amount of taxes indicated in the table refers to IRES for Euro 84,062 thousand and to IRAP for Euro 10,735 thousand.

Deferred Tax Assets

Article 2, paragraphs 55 to 58, of Decree Law no. 225 of 29 December 2010, converted, with amendments, by Law no. 10, of 26 February 2011, introduced the regulation of the tax credit deriving from the transformation of deferred tax assets ("DTA") recognised in the financial statements, relating to the write-downs and losses on deductible receivables pursuant to Article 106, paragraph 3, of the TUIR [Consolidated Income Tax Act] and relating to the value of goodwill and other intangible assets whose negative components are deductible for income tax purposes in several tax periods.

Subsequently, Article 9 of Decree Law no. 201 of 6 December 2011 ("Monti decree"), converted with amendments by Law no. 214 of 22 December 2011, made changes to the rules on the transformation of DTAs into tax credits, extending their scope and modifying the way in which the tax credit can be used compared to the original wording of the rule.

The balance of deferred tax assets at 31 December 2021 includes Euro 61,145 thousand of convertible DTAs, net of the reversal for the year 2021. In December 2021, after submitting the 2021 income tax return, the tax credit deriving from the conversion of the 2020 reversal portion of the deferred tax assets was offset up to the amount of the 2020 tax loss, determined by the deduction of this portion.

It should be noted that following the approval of Decree Law no. 83/2015, which introduced for banks the immediate deductibility of losses and write-downs on receivables, the stock of convertible DTAs can no longer be increased in the future.

Recognition of DTAs and tax credits - probability test

Deferred tax assets are recognised on the unused portion of the Ace tax subsidy (that can be carried forward) and on the loss brought forward, both of which relate to the 3.5% increase, as the Parent Bank expects to realise future taxable income against which the surcharge can be used.

It should also be noted that, as indicated above, also with reference to tax credits, the recognition is justified by the forecast of the realization by the Bank and the Group of future taxable income against which they may be offset.

11.2 Deferred tax liabilities: breakdown

	Taxable amount	Taxes
Capital gains from disposal of property, plant and equipment		
Capital gains from disposal of financial fixed assets		
Deferred taxation on deferred tax reserves		
Membership fees		
Deferred taxation on reversal of IFRS 16 intra-group effects		
Deferred taxation on FITD intervention Voluntary securitisation scheme		
IAS adjustments to property, plant and equipment and intangible assets	1,105	352
Measurement of financial assets and derivative instruments	9,992	942
Capital gains on equity investments		
PPA goodwill, former Banca Sella business unit		
Total	**11,097**	**1,294**

The amount of taxes indicated in the table refers to IRES for Euro 782 thousand and to IRAP for Euro 512 thousand.

11.3 Changes in deferred tax assets (with balancing entry in the income statement)

	31.12.2021	31.12.2020
1. Opening amount	122,432	135,047
2. Increases	**4,986**	**9,862**
2.1 Deferred tax assets recognised during the year	4,986	9,862
a) relating to previous years		
b) due to changes in accounting policies		
c) write-backs		
d) other	4,986	9,862
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**34,623**	**22,478**
3.1 Deferred tax assets derecognised during the year	28,517	22,478
a) reversals	28,517	22,478
b) write-downs due to non-recoverability		
c) change in accounting policies		
d) other		
3.2 Reductions in tax rates		
3.3 Other decreases	6,106	
a) transformation into tax credits pursuant to Law 214/2011		
b) other	6,106	
4. Closing amount	92,795	122,431

11.4 Changes in deferred tax assets pursuant to Law 214/2011

	31.12.2021	31.12.2020
1. Opening amount	78,602	96,026
2. Increases		
3. Decreases	**17,457**	**17,424**
3.1 Reversals	17,457	17,424
3.2 Transformation into tax credits		
a) deriving from a loss for the year		
b) deriving from tax losses		
3.3 Other decreases		
4. Closing amount	61,145	78,602

Deferred Tax Asset - "DTA", transformation into tax credit

On 3 May 2016, the new decree law on banks was published in the Official Gazette (Decree Law no. 59/2016), converted by Law no. 119 of 30.06.2016, which introduced, among other things, changes to the regime for converting deferred tax assets into tax credits by the stakeholders (mainly credit institutions). In order to keep the conversion mechanism in place, the banks were required to pay an annual fee of 1.5% on the difference between the amount of the convertible deferred tax assets (increased by the taxes already converted) at 31.12.2015 and the taxes paid (IRES, IRAP) in the period between 2008 and 2015 (possibly increased for payments in subsequent periods). If the taxes paid exceeded the DTAs recorded in the financial statements (and those already converted), nothing was due. Vice versa, in order to continue to benefit from the tax relief pursuant to Art. 2, paragraphs 55 to 57, of Decree Law no. 225/2010, the parties were required to exercise a special option by paying the new annual fee on the differences until 31 December 2029. If the option had not been exercised, for the purpose of regulatory provisions, the deferred tax assets under Law no. 214/2011 should have been treated as the other DTAs and therefore, among other things, deducted from own funds. The payment of the fee was an indispensable condition for the European Commission not to consider the DTA scheme as "State aid". Cassa di Risparmio di Bolzano decided to maintain the transformation method. The fee paid in 2021 amounted to Euro 718 thousand.

Finally, it should be noted that in sequence, first the 2019 Budget Law and then the 2020 Budget Law, by amending Article 16, paragraphs 3 - 4 and 8 - 9 of Legislative Decree no. 83 of 27 June 2015, provided that the deduction of the portions of taxable DTAs on the amount of losses and write-downs on loans, for IRES and IRAP purposes, for credit and financial institutions and insurance companies in relation to previous tax periods, would be deferred and reformulated with reference to the reversal mechanism, providing for the first portion of deductibility for the 2020 tax period.

11.5 Changes in deferred tax liabilities (with balancing entry in the income statement)

	31.12.2021	31.12.2020
1. Opening amount	16,631	17,356
2. Increases	90	129
2.1 Deferred tax liabilities recognised during the year	90	129
a) relating to previous years		
b) due to changes in accounting policies		
c) other	90	129
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	16,240	854
3.1 Deferred tax liabilities derecognised during the year	16,240	854
a) reversals	16,240	854
b) due to changes in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Closing amount	481	16,631

11.6 Changes in deferred tax assets (with balancing entry to shareholders' equity)

	31.12.2021	31.12.2020
1. Opening amount	2,486	1,031
2. Increases	351	1,468
2.1 Deferred tax assets recognised during the year	351	1,468
a) relating to previous years		
b) due to changes in accounting policies		
c) other	351	1,468
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	834	13
3.1 Deferred tax assets derecognised during the year	106	13
a) reversals	106	13
b) write-downs due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Reductions in tax rates		
3.3 Other decreases	728	
4. Closing amount	2,003	2,486

11.7 Changes in deferred tax liabilities (with balancing entry to shareholders' equity)

	31.12.2021	31.12.2020
1. Opening amount	**2,430**	**2,393**
2. Increases	**459**	**1,121**
2.1 Deferred tax liabilities recognised during the year	459	1,121
a) relating to previous years		
b) due to changes in accounting policies		
c) other	459	1,121
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**2,076**	**1,084**
3.1 Deferred tax liabilities derecognised during the year	2,076	1,084
a) reversals	2,076	1,084
b) due to changes in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Closing amount	**813**	**2,430**

11.8 Other information

Tax situation

The Parent Bank, as consolidating company, participates, together with the subsidiaries Sparim S.p.A. and Sparkasse Immobilien S.r.l., in the "National tax consolidation", which will automatically renew for the three-year period 2022-2024.

With reference to the terms set forth for the assessment, it is specified that paragraphs 130, 131 and 132 of the 2016 Stability Law (Law 208/2015) have reformed the two parallel reference regulations: Article 57 of Presidential Decree 633/1972 and Article 43 of Presidential Decree 600/1973. The ordinary deadline for the notification of adjustment notices and assessment notices becomes 31 December of the fifth year following the year in which the declaration was submitted, and no longer the fourth. The extension of the deadline was also provided for in cases of omitted declaration and null declaration, moving from 31 December of the fifth year following the year in which the declaration should have been submitted to 31 December of the seventh year following the year in which the declaration should have been submitted.

The new provisions apply to assessment and adjustment notices relating to the 2016 tax period and subsequent ones. For the above-mentioned documents valid until 2015, on the other hand, the notification must be made, under penalty of forfeiture, in accordance with the previous regime, i.e. "by 31 December of the fourth year following the year in which the declaration was submitted or, in cases of omitted declaration or of null declaration, by 31 December of the fifth year following the year in which the declaration should have been submitted".

In the case of violations involving tax offences (i.e. those covered by Legislative Decree 74/2000), the deadlines of the fourth and fifth year following the submitted or omitted declaration are doubled with respect to the tax period in which the violation was committed; however, this doubling does not apply if the report by the tax authorities, including the Guardia di Finanza, is submitted or transmitted after the ordinary expiry of the above-mentioned deadlines.

Section 12 - Non-current assets and groups of assets held for sale and associated liabilities - Item 120 of assets and item 70 of liabilities

12.1 Non-current assets and groups of assets held for sale: breakdown by type of asset

	31.12.2021	31.12.2020
A. Assets held for sale		
A.1 Financial assets		1,160
A.2 Equity investments		
A.3 Property, plant and equipment	15	7,300
of which: deriving from the recovery of non-performing loans		
A.4 Intangible assets		
A.5 Other non-current assets		
Total (A)	**15**	**8,460**
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3	15	8,460
B. Discontinued operations		
B.1. Financial assets measured at fair value through profit or loss		
- financial assets held for trading		
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value		
B.2. Financial assets measured at fair value through other comprehensive		
B.3. Financial assets measured at amortised cost	108	45
B.4 Equity investments		
B.5 Property, plant and equipment		
of which: obtained through the enforcement of guarantees received		
B.6 Intangible assets		
B.7 Other assets	806	784
Total (B)	**914**	**829**
of which measured at cost	806	784
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3	108	45
C. Liabilities associated with assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total (C)		
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost		
D.2 Financial liabilities held for trading		
D.3 Financial liabilities designated at fair value		
D.4 Provisions	(420)	(382)
D.5 Other liabilities	(87)	(101)
Total (D)	**(507)**	**(483)**
of which measured at cost	(507)	(483)
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		

The data shown in table 12.1 refer to the restatement of the assets and liabilities of the company Raetia SGR S.p.A. in liquidation, with the exception of the amount shown in point A.3 which refers to a property for which a binding preliminary trade agreement has already been signed and which has therefore been reallocated to Assets held for sale for its presumed realisable value.

12.2 Other information

With reference to the equity investment in Raetia SGR S.p.A. in liquidation, it should be noted that although it falls within the scope of consolidation, the total Assets and Liabilities as well as the income statement results were respectively classified under the items "Non-current assets and groups of assets held for sale", "Liabilities associated with assets held for sale" and "Gains (losses) from groups of assets held for sale" for their carrying amount after the entries of elimination and consolidation as a company in liquidation.

Section 13 - Other assets - item 130

13.1 Other assets: breakdown

	31.12.2021	31.12.2020
Tax credits	42,002	10,525
- Tax credits for purchased "eco-bonus" and "seismic bonus"	31,688	
- Interest portion	49	49
- Principal portion	10,265	10,476
Receivables from tax authorities for advances paid	2,663	2,377
Withholding taxes incurred	365	172
Items in progress	50,600	41,418
- utilities to be charged to customers	35,000	24,714
- current account cheques	5,917	5,129
- other	9,683	11,575
Pensions fund investment management account, Sec. A/A1	192	2,419
Receivables deriving from securitisation transactions	45,079	62,273
Sundry assets and receivables	49,294	46,396
Total	**190,195**	**165,580**

The increase in the total of "Other Assets" equal to Euro 24,615 thousand is mainly due to the inclusion in this item, in 2021, of the tax credits deriving from the eco and seismic bonuses purchased by the Bank pursuant to the provisions of the "Relaunch Decree" of July 2020 which has introduced this tax relief for the taxpayer, who is given, inter alia, the possibility of transferring their tax credit accrued on real estate restructuring works both with the aim of improving the energy efficiency and seismic protection. These receivables are recognised at their amortised cost.

Among the other significant changes, the reduction in the item "Receivables from securitisation transactions" which is reduced by Euro 17,194 thousand and which includes the flows to and from the special purpose entity Fanes of the three securitisation transactions in place at 31 December 2021.

On the other hand, "Items in progress" increased by Euro 9,183 thousand against an increase in the utilities to be charged to customers.

The item "Pensions fund investment management account, Sec. A/A1", which includes the liquidity of the fund and the actuarial adjustments of the mathematical reserve, recorded a decrease of Euro 2,226 thousand, due to the valuation of the residual payable to the members, based on actuarial estimates.

The item "Tax credits", in its interest and principal portions, is in line with the figures of the previous year and mainly includes the credit for stamp duty paid virtually.

Liabilities

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

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

Type of transactions/Values	31.12.2021				31.12.2020			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**2,144,123**	**X**	**X**	**X**	**1,940,195**	**X**	**X**	**X**
2. Due to banks	**191,609**	**X**	**X**	**X**	**162,243**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	13,052	X	X	X	5,838	X	X	X
2.2 Term deposits	9,010	X	X	X	1,170	X	X	X
2.3 Loans	169,312	X	X	X	155,152	X	X	X
2.3.1 Repurchase agreements		X	X	X		X	X	X
2.3.2 Other	169,312	X	X	X	155,152	X	X	X
2.4 Payables for commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease payables	235	X	X	X	83	X	X	X
2.6 Other payables		X	X	X		X	X	X
Total	**2,335,732**			**2,335,732**	**2,102,438**			**2,102,438**

The item "Due to central banks" refers to TLTRO-III open market refinancing operations. This third set of loans was announced in March 2019 and subsequently saw changes to the parameters in September 2019, in light of the worsening of the economic situation, as well as in March, April and December 2020 both in the face of the COVID-19 emergency and in light of the economic repercussions due to the prolongation of the pandemic.

The change in the parameters of the TLTRO-III transactions, made by the Governing Council of the Central Bank in December 2020, provided for, inter alia, an increase in the maximum amount that can be requested in the form of the TLTRO-III amount drawn from 50% to 55% of the amount of eligible loans. This increase enabled the Parent Bank to raise the overall amount of the loan from Euro 1,950 million to Euro 2,150 million.

The TLTRO-III programme consisted of a total of ten auctions, each with a duration of three years, two of which took place in 2019 and four of which took place in 2020 and 2021 respectively. The Parent Bank participated in the auctions of June, September and December 2020, drawing Euro 700 million, Euro 520 million and Euro 250 million, respectively and, for the year 2021, in the auctions of March and June, drawing Euro 480 million and Euro 200 million, respectively.

In order to extend the maturities of these loans on the one hand, and to optimise the overall amount of interest in favour of the Parent Bank upon achieving the various benchmarks required by the European Central Bank, on the other hand, the Bank has taken steps to make the TLTRO-III loans more efficient in the second half of the year, that is, the loan of Euro 700 million, drawn in June 2020, was repaid early in September 2021 and, at the same time, was renewed for the same amount and up to in September 2024 The loans of Euro 520 million and 250 million, drawn respectively from the auctions of September and December 2020, have been instead repaid in advance in December 2021 and, again at the same time, a total amount equal to Euro 770 million maturing in December 2024 was renewed.

The Senior tranche of the first securitisation of loans disbursed to small and medium-sized enterprises of the Bank, structured in June 2020, as well as other tranches of RMBS not placed on the market, were used to guarantee the loans. The item "Loans" refers entirely to the amount of funding obtained by the European Investment Bank for the refinancing of specific SME projects.

In consideration of the prevailing short-term duration of due to banks, the related fair value is conventionally taken to be equal to the carrying amount.

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

Type of transactions/Values	31.12.2021				31.12.2020			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	6,624,366	X	X	X	5,643,501	X	X	X
2. Term deposits	769,389	X	X	X	884,226	X	X	X
3. Loans	28,037	X	X	X	162,393	X	X	X
3.1 Repurchase agreements		X	X	X	128,194	X	X	X
3.2 Other	28,037	X	X	X	34,199	X	X	X
4. Payables for commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease payables	21,784	X	X	X	23,537	X	X	X
6. Other payables	220,915	X	X	X	272,421	X	X	X
Total	**7,664,491**			**7,664,491**	**6,986,078**			**6,986,078**

The overall comparison figure between the amounts at the end of the period and the figures at the end of the previous year shows an increase of Euro 678.4 million (+9.7%).

Point 3.1 includes the amounts of loans payable (Classic Repo) made by the Parent Bank on the MTS Repo platform, a method which at the end of the 2021 financial year was zero, but which in the comparative period amounted to Euro 128 million.

The item "Loans - Other" mainly refers to the amount of funding obtained in several tranches from Cassa Depositi e Prestiti to be used for the subsequent subsidised loan to SMEs.

Point 5. Lease payables, effective 01.01.2019, include amounts arising from leases subject to IFRS 16, according to which, when a right to use an asset is recognised as an asset, the discounted amount of the lease payments contractually agreed must be recognised as a liability.

The item "Other payables" refers, in the amount of Euro 78,745 thousand, to the funding from "third-party funds under administration" related to the subsequent disbursement of loans to customers by virtue of agreements entered into with Public Administration entities (Regions, Provinces and Municipalities).

This item also includes the payable to the special purpose entity of the self-securitisation called "Fanes 4" against the sale on the market of the senior notes of the same securitisation, carried out by the Bank in 2019, for a residual amount, at 31 December 2021, of Euro 142.3 million.

In consideration of the prevailing short-term duration of due to customers, the related fair value is conventionally taken to be equal to the carrying amount.

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

Type of securities/Values	31.12.2021				31.12.2020			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	96,078		102,213		94,710		101,777	
1.1 structured	338		357		338		338	
1.2 other	95,740		101,856		94,372		101,439	
2. Other securities								
2.1 structured								
2.2 other								
Total	96,078		102,213		94,710		101,777	

The item "Bonds" is substantially in line with the figures of the previous year; the Euro 1.4 million increase is entirely attributable to the capitalisation of the issue discount on the zero coupon in circulation with maturity on 15 November 2022.

Also included is the issuance of three subordinated bonds for a nominal amount of Euro 0.4 million, 5 million and 20 million, respectively.

The amounts of bonds issued are valued net of Euro 52.6 million of repurchases.

1.3.1 Due to customers subject to micro hedging

This table is not shown since neither in the year ended 31 December 2021 nor in the previous year were there any due to customers that were micro hedged.

1.4 Details of payables/subordinated securities

In December 2015, at the time of the share capital increase, the Parent Bank issued a subordinated *Lower Tier II* financial liability inextricably linked to the subscription of shares. Subsequently, in 2017 and 2018, the Bank issued, as a capital strengthening measure, two additional Lower Tier II subordinated bonds for a nominal amount of Euro 5 and 20 million, respectively.

Details of subordinated liabilities outstanding at 31 December 2021 are provided below (amounts in euro):

ISIN	Nom. amount in euro	Carrying amount	Date of issue	Expiry date	Interest rate
IT0005136756	363,700	337,411	21.12.2015	21.12.2025	Fixed rate at 3.0% until 21.12.2020; for the next 5 years equal to 2.174%*
IT0005320129	5,000,000	5,001,433	29.12.2017	29.12.2024	Fixed rate at 5.75% for the entire duration of the loan
IT0005345274	20,000,000	18,441,302	27.09.2018	27.09.2028	Fixed rate at 6.00% for the entire duration of the loan

*on 21 December 2020, the interest rate was recalculated as required by the Issuance Regulation for the next 5 years on the basis of the 5-year Euro mid-swap rate increased by the initial margin of 263 basis points.

The loan issued in 2015 has a ten-year duration and, in addition to providing the Bank with the option of early repayment at nominal amount starting from 21 December 2020, subject to authorisation by the competent Authority, it contains, for the subscriber, the right to convert into shares in the ratio of no. 1 share for every no.

1 subordinated bond on 21 June and 21 December of each year starting on 21 June 2016. This convertibility option is accounted for as an "equity" component and is therefore not recorded in Item 10.c) of Liabilities; it has been quantified at Euro 28 thousand and recorded in Item 130 Equity Instruments.

Please note that on 21 December 2021, the Parent Bank did not exercise the early repayment option.

There are no repurchases in ownership of these subordinated bond issues.

Securities issued subject to micro hedging

At 31 December 2021 and at the end of the previous year, there were no outstanding bond issues and/or certificates of deposit whose interest rate risk was hedged with specific derivative instruments and accounted for in accordance with the fair value hedging rules set out in IAS 39.

Section 2 - Financial liabilities held for trading - item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transactions/Values	31.12.2021					31.12.2020				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet 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 obligations					X					X
3.2 Other securities										
3.2.1 Structured					X					X
3.2.2 Other					X					X
Total A										
B. Derivative instruments										
1. Financial derivatives			508					221		
1.1 Trading	X		508		X	X		221		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 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**		**508**		**X**	**X**		**221**		**X**
Total (A+B)	**X**		**508**		**X**	**X**		**221**		**X**

Key:
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value* = fair value calculated by excluding the changes in value due to the change in the creditworthiness of the issuer with respect to the issue date

The trading financial derivatives in this table refer to the fair value of foreign currency commitments held by the Bank at the end of the period.

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by type

Type of transaction/Values	31.12.2021					31.12.2020				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks										
1.1 Structured					X					X
1.2 Other					X					X
of which:										
- commitments to disburse funds		X	X	X	X		X	X	X	X
- financial guarantees issued		X	X	X	X		X	X	X	X
2. Due to customers										
2.1 Structured					X					X
2.2 Other					X					X
of which:										
- commitments to disburse funds		X	X	X	X		X	X	X	X
- financial guarantees issued		X	X	X	X		X	X	X	X
3. Debt securities	13,986		14,275			13,986		14,802		
3.1 Structured	13,986		14,275		X	13,986		14,802		X
3.2 Other					X					X
Total	13,986		14,275			13,986		14,802		

Key:
NV = Nominal amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value* = fair value calculated by excluding the changes in value due to the change in the creditworthiness of the issuer with respect to the issue date

This item includes, as a result of the application of the fair value option, the portion of the bonds issued, net of repurchases of Euro 3.8 million, whose interest rate risk is hedged through derivative contracts.

The current value of the latter is classified under "Financial assets / liabilities held for trading" (Section 2 of Assets - Section 2 of Liabilities).

The year-end figure shows a 3.6% decrease in stocks compared to those outstanding at 31 December 2020.

The steady decrease recorded in 2021 and in previous years is due to the Parent Bank's decision to stop issuing new bonds against the maturities of the bonds it has issued.

The remaining bonds issued, as mentioned above, are stated in previous Section 1.c) "Securities issued".

Section 4 - Hedging derivatives - item 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

	Fair value 31.12.2021			NV 31.12.2021	Fair value 31.12.2020			NV 31.12.2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives		504		100,514		5,159		229,774
1) Fair value		504		100,514		5,159		229,774
2) Cash flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		504		100,514		5,159		229,774

Key:
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair value							Cash flows		Foreign investments
	Micro						Macro	Micro	Macro	
	Debt securities and interest rates	Equity securities and equity indices	Currencies and gold	Credit	Goods	Other				
1. Financial assets measured at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets measured at amortised cost		X			X	X	X		X	X
3. Portfolio	X	X	X	X	X	X	504	X		X
4. Other transactions							X		X	
Total Assets							504			
1. Financial liabilities		X		X			X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total Liabilities										
1. Expected transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 6 - Tax liabilities — Item 60

Information on "Tax liabilities" is provided in section 11 of Assets together with "Tax assets".

Section 7 - Liabilities associated with assets held for sale - Item 70

The information on the data regarding "Liabilities associated with assets held for sale" is provided in section 12 of the Assets together with that of "Non-current assets and groups of assets held for sale and associated liabilities".

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2021	31.12.2020
Payables to tax authorities	465	121
Social security contributions to be paid	2,655	2,667
Amounts to be paid to tax authorities on behalf of third parties	9,439	8,088
Amounts due to third parties	2,929	1,526
Suppliers - invoices to be paid/received	17,485	15,632
Items in progress	68,357	55,056
- Bank transfers	42,581	45,774
- Other	25,776	9,282
Currency spreads on portfolio transactions	117,040	66,167
Employee deferred charges, withholdings to be paid	4,961	5,331
Sundry liabilities and payables	11,994	15,508
Total	**235,325**	**170,096**

The Item "Other liabilities" shows an increase of Euro 65.2 million, which is mainly attributable to the Item "Currency spreads on portfolio transactions" (Euro +50.9 million) due to the considerable increase in volume of the "transferring" accounts as well as bills, documents and similar values - subject to collection - credited to current accounts, not yet liquid at the balance sheet date.

"Other items in progress" also showed an increase of Euro 16.5 million due to an increase in transitory accounts with banks, accounts that are discharged in the first working days following the end of the year.

The other items recorded values substantially in line with those of the previous year.

Section 9 - Employee severance indemnity - Item 90

9.1 Employee severance indemnity: annual changes

	31.12.2021	31.12.2020
A. Opening balance	**771**	**926**
B. Increases	**3,796**	**3,677**
B.1 Allocation for the year	3,773	3,667
B.2 Other changes	23	10
C. Decreases	**(3,894)**	**(3,832)**
C.1 Payments made	(125)	(168)
C.2 Other changes	(3,769)	(3,664)
D. Closing balance	**673**	**771**
Total	**673**	**771**

The balance of the item is attributable to the portions of the employee severance indemnity relating to:

- personnel acquired with the Kärntner Sparkasse Italia business unit for Euro 55 thousand;
- personnel acquired with the former Banca Sella business unit, for Euro 598 thousand;
- personnel of the consolidated Sparkasse Haus Srl, for Euro 20 thousand.

These shares are intended for the moment to remain within the company.

The regulations of the Pension Fund "Section B" for current personnel, on the other hand, allow members, including those with fixed-term contracts, to allocate the portions of employee severance indemnity accrued to said Pension Fund.

The allocation for the year to employee severance indemnity (line B.1) is therefore recorded in the income statement (see table 10.1 below of the income statement "Personnel expenses") net of transfers to the defined contribution pension fund (Section B) included in line C.2.

Section 10 - Provisions for risks and charges - item 100

10.1 Provisions for risks and charges: breakdown

Items/Values	31.12.2021	31.12.2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	8,623	10,573
2. Provisions for other commitments and other guarantees issued		
3. Company pension funds	46,170	51,858
4. Other provisions for risks and charges	12,893	17,163
4.1 legal and tax disputes	1,906	5,018
4.2 personnel expenses	5,382	4,772
4.3 other	5,605	7,373
Total	**67,686**	**79,594**

The balance of the item "Company pension funds" refers to the amounts of the internal supplementary pension fund, as regards the defined benefit portion. In this respect, see paragraph 10.5 below.

The "Provision for legal disputes" includes the allocations for any possible lawsuits against the Group.

To this end, it should be noted that, with reference to the claims for compensation for damages made by third parties against Raetia SGR S.p.A. in liquidation, and in the alternative to the Parent Bank as the claimant responsible for the management and coordination activities exercised against the same SGR, allocations were made in the presence of events deemed possible, but with an amount that cannot be reliably estimated, based on legal opinions obtained from the subsidiary.

The "Provision for personnel expenses" includes the allocation for the seniority bonus to personnel, a lump-sum allocation for the productivity bonus under the national labour agreement and, to a residual extent, deferred charges to be paid to personnel.

Among the other provisions, the "Operational risks for financial brokerage" provision amounts to Euro 3,616 thousand. This amount includes:

- Euro 1,971 thousand, corresponding to the amount of money owned by the Parent Bank and being processed at the vault of the company North East Services, subject to temporary seizure as part of the bankruptcy proceedings of the same company;
- an amount equal to Euro 744 thousand, against possible future legal expenses deriving from proceedings connected with financial intermediation activities;
- a residual amount of Euro 901 thousand for complaints and summons from shareholders who had subscribed to the capital increases of the Parent Bank in 2008 and 2012. This was the amount left after Sparkasse settled Euro 2,859 thousand in 2021, following two agreements entered into with some consumer associations to settle claims related to the 2008 capital increase. The amount is maintained, even in the presence of valid elements of defence, as it is considered reasonable on the basis of the possible amounts that the Parent Bank could be required to pay. However, to date, there are no elements or information that would allow to foresee and justify further allocations.

Finally, it should be noted that this provision also includes an amount equal to Euro 1,500 thousand related to the risks of higher charges that could occur in relation to the significant real estate development activities that the Sparim company is carrying out on some real estate complexes purchased for development and subsequent sale purposes.

Also with reference to the "Operational risks for financial brokerage provision", the remaining provision allocated in 2018 was released for an original amount of Euro 2.8 million, as the maximum potential risk relating to charges that the Parent Bank could have been required to incur in relation to commission components and to interest recognised in the income statement mostly in previous years, and activated with reference to findings received following a branch audit carried out by the Supervisory Authority at the end of 2016. It should be noted that in response to the clarifications and answers provided by the Bank and following discussions with the Supervisory Body, the entire residual amount of Euro 0.5 million was released.

10.2 Provisions for risks and charges: annual changes

	Provisions for other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	10,573	51,858	17,163	79,594
B. Increases	1	2,093	8,141	10,235
B.1 Allocation for the year	1	2,093	8,141	10,235
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	(1,951)	(7,781)	(12,411)	(22,143)
C.1 Use during the year		(4,181)	(10,829)	(15,010)
C.2 Changes due to changes in the discount rate				
C.3 Other changes	(1,951)	(3,600)	(1,582)	(7,133)
D. Closing balance	8,623	46,170	12,893	67,686

With the introduction of the IFRS 9 accounting standard, effective 01.01.2018, the guarantee margins and endorsement loans were also subject to allocation.

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

	Provisions for credit risk relating to commitments and financial guarantees issued				
	First stage	Second stage	Third stage	Purchased or originated impaired	Total
Commitments to disburse funds	330	383			713
Financial guarantees issued	180	114	7,616		7,910
Total	510	497	7,616		8,623

10.5 Company's defined benefit pension funds

10.5.1 Explanation of the characteristics of the funds and related risks

The defined benefit pension fund consists of two sections (Sections A and A1), both in the disbursement phase, which guarantee to retired members a supplementary treatment of the gross benefits provided by INPS.

As from 1 April 2003, a separate asset was set up in debt securities and UCITS for the investment of the liquidity generated by the fund. The positions of the members are managed in individual accounts in the name of the single members.

In relation to the incorporation, in 1999, of Credito Fondiario Bolzano S.p.A., an additional defined benefit fund was added to the internal fund regarding the retired employees of the former Credito Fondiario Trentino-Alto Adige S.p.A., which guarantees to the same, for the portion pertaining to Cassa di Risparmio di Bolzano (50%), a supplementary treatment of the mandatory pension.

For both funds, the liability deriving from the benefits due to the members of the funds is measured on the basis of an independent actuarial appraisal in order to determine the technical provisions to be allocated to cover future pension benefits.

10.5.2 Changes during the year in net defined benefit liabilities (assets) and reimbursement rights

	Pension Fund Sec. A/A1	Pension Fund Former Credito Fondiario Bolzano	Total
Balance at 31.12.2020	51,239	619	51,858
Revenues:			
Allocation of gross return on investment	1,384		1,384
Adjustment of expected/actual return difference			
Adjustment of actuarial estimates		41	41
Acquisition from other funds			
Other revenues			
Total revenues	1,384	41	1,425
Expenses:			
Pensions paid	4,100	81	4181
Allocation of gross investment loss			
Adjustment of expected/actual return difference	818		818
Adjustment of actuarial estimates	1,805		1,805
Other expenses	310		310
Total expenses	7,033	81	7,114
Balance at 31.12.2021	45,590	579	46,170

10.5.3 Information on the fair value of plan assets

The table below shows the changes in the exercise of the plan assets; the financial assets constituting "plan assets" present in the portfolio of the Pension Fund (Sections A and A1) are all included in levels 1 and 2 of the fair value hierarchy, since these are securities contributed for IAS purposes.

	Debt securities	UCITS units	Total
Opening balance	28,706	20,104	48,810
B. Increases:	39,275	1,864	41,139
B.1 Purchases	39,093		39,093
B.2 Positive changes in fair value	1	1,770	1,771
B.3 Other changes	182	94	275
C. Decreases:	37,432	4,195	41,628
C.1 Sales	35,727	4,083	39,809
C.2 Refunds	200		200
C.3 Negative changes in fair value	940	113	1,053
C.4 Other changes	565		565
D. Closing balance	30,549	17,773	48,322

The financial statements include assets and liabilities referring to the defined benefit pension fund (Sections A and A1), which can be summarised as follows:

Items	31.12.2021
Assets	
Investments in securities	48,322
Investments in liquidity	192
Adjustment for actuarial estimates	
Tax credit	9
Total Assets	**48,523**
Liabilities	
Pension Fund	45,590
Payables to tax authorities for substitute tax	310
Other liabilities of financial management	2,623
Total Liabilities	**48,523**

10.5.4 Description of the main actuarial assumptions

The actuarial valuation of the Mathematical Reserve of the Pension Fund (Sections A and A1) was carried out by adopting the following demographic and economic-financial assumptions:

a) Demographic assumptions: for the probabilities of death, those relating to the Italian population as measured by ISTAT, broken down by gender;

b) Economic and financial assumptions: the valuations are made on the basis of the following assumptions:

- technical nominal discount rate 0.50%
- prospective inflation rate 1.00%

It should be noted that on 31 December 2021 the discount rate applied was 0.50%, reduced compared to the 0.75% used in the previous year; this amendment was already adopted at the half-year end.

10.6 Provisions for risks and charges - other provisions

Items	31.12.2021	31.12.2020
Legal disputes		
Foreseeable liabilities, determined analytically and with the support of the Group's lawyers, in respect of pending judicial and out-of-court actions in which the Group is a taxable person	1,522	3,412
Indemnity in lieu of notice	47	38
Hedging of risks deriving from revocation actions	338	1,568
Total Provisions for legal disputes	**1,907**	**5,018**
Personnel expenses		
"Deferred charges" to be paid to Personnel in the next year	4,236	3,703
Charges relating to staff seniority bonus	1,145	1,069
Total Provisions for personnel expenses	**5,381**	**4,772**
Other		
Operational risks related to financial brokerage activities carried out by the Bank	5,116	6,808
Coverage of the risk of death/disability of members of the Pension Fund Section B	300	376
Commitments to Equitalia S.p.A. (Article 11 Sale agreement)	189	189
Total "Sundry" provisions	**5,605**	**7,373**
Total Other Provisions	**12,893**	**17,163**

The amounts allocated were not discounted as the time element of the financial regulation is either not significant or the date of commitment of the resources cannot be reliably estimated.

Section 13 - Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

For information on the qualitative nature and composition of the Group's equity, please refer to the following "Information on consolidated shareholders' equity".

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

The item "Share Capital" consists of no. 60,952,013 ordinary shares with a par value of Euro 7.70 each, broken down as follows:

no.	30,000,000	shares pertaining to the contribution made in 1992 (Law 218/90);
no.	2,500,000	shares relating to the share capital increase carried out in 1994;
no.	3,500,000	shares deriving from the conversion of the bond issued in 1994, fully subscribed in 1997 by the Bayerische Landesbank of Munich;
no.	4,500,000	shares relating to the capital increase carried out on 21 December 2012;
no.	20,452,013	shares relating to the capital increase carried out on 18 December 2015.

It should be noted that starting from 7 August 2015, in execution of the resolution passed by the Extraordinary Shareholders' Meeting of 28 April 2015, the split of the shares of Cassa di Risparmio S.p.A. was launched in a ratio of 1:10 (ten new shares for an old share). The allotment date for the new securities was set for 26 August 2015.

In connection with this split transaction, the number of shares of the first four transactions described above is multiplied by ten.

The nominal amount of Euro 7.70 derives from the share capital increase of Euro 79,200,000, resolved by the Shareholders' Meeting on 27 April 2012, through the use of reserves already established.

The item "Treasury shares", recorded as a reduction of Shareholders' Equity, consists of no. 747,401 ordinary shares of Cassa di Risparmio di Bolzano S.p.A. (carried at an average unit price of Euro 9.80).

On 22 September 2021, Sparkasse sent, in accordance with Articles 77 and 78 of Regulation (EU) no. 575/2013 CRR and Article 29 of Regulation (EU) no. 241/2014, a request to the Bank of Italy to amend (i) the ceiling reserved for the partial repurchase of instruments eligible for Common Equity Tier 1 capital and (ii) the ceiling relating to the repurchase of subordinated bonds. With a communication dated 25 October 2021, the Bank of Italy communicated the authorisation to modify the ceiling. Specifically, the Parent Bank was authorised to partially repurchase treasury shares for an amount of Euro 10 million, from the Euro 9 million previously authorised (with provision dated 27 October 2020) and to the simultaneous reduction of the ceiling dedicated to the partial repurchase of Tier 2 bonds, from the previous Euro 0.810 million to Euro 0.5 million.

On the basis of these authorisations, in 2021 the Parent Bank has repurchased no. 302,105 shares at an average price of Euro 8.62 each and resold no. 10,932 shares at an average unit price of 8.65 euros.

13.2 Share capital - Number of shares: annual changes

Items/Types	Ordinary	Other
A. Shares existing at the beginning of the year	**60,952,013**	
- fully paid	60,952,013	
- not fully paid		
A.1 Treasury shares (-)	(456,228)	
A.2 Shares outstanding: opening balance	**60,495,785**	
B. Increases	**10,932**	
B.1 New issues		
- for a fee:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- free of charge:		
- in favour of employees		
- in favour of the directors		
- other		
B.2 Sale of treasury shares	10,932	
B.3 Other changes		
C. Decreases	**(302,105)**	
C.1 Cancellation		
C.2 Purchase of treasury shares	(302,105)	
C.3 Business units sales		
C.4 Annual changes		
D. Shares outstanding: closing balance	**60,204,612**	
D.1 Treasury shares (+)	747,401	
D.2 Shares existing at the end of the year	60,952,013	
- fully paid	60,952,013	
- not fully paid		

13.4 Profit reserves: other information

	31.12.2021	31.12.2020
1. Legal reserve	60,449	57,473
2. Extraordinary reserve	16,309	11,964
3. Reserve from contribution pursuant to Law 218/90		
4. Reserve pursuant to Article 22 of Legislative Decree 153/99		
5. Merger surplus reserve	13,917	13,917
6. Reserve for the purchase of treasury shares - committed portion	7,340	4,170
7. Reserve for the purchase of treasury shares - available portion	2,660	4,830
8. Reserves - other	31,303	(33,636)
Total	**131,978**	**58,718**

The item "Reserves - other" refers to the positive and negative reserves related to the effects of the transition to the [IAS/IFRS] International Accounting Standards. The change compared to the previous period is mainly due to the reversal of valuation reserves and profit reserves generated by the sale of the investment held in Cedacri S.p.A. and for the remainder of the previous year's profit distribution, not otherwise allocated.

The reserves referred to in points 6 and 7 are established and used in accordance with the resolution of the Ordinary Shareholders' Meeting of 8 April 2021.

Section 14 - Shareholders' equity pertaining to minority interests - Item 190

14.1 Breakdown of item 190 "Shareholders' equity pertaining to minority interests"

	31.12.2021	31.12.2020
Equity investments in subsidiaries with significant minority interests		
Other equity investments	12	12
Dolomit Real Estate Fund		
Fanes Srl	12	12
Total	12	12

The shareholders' equity pertaining to minority interests, at 31 December 2021, consists exclusively of that of the special purpose entity Fanes srl, given that the real estate fund Dolomit is now in an advanced state of final liquidation.

Other information

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

	Notional amount on commitments and financial guarantees issued				31.12.2021	31.12.2020
	First stage	Second stage	Third stage	Purchased or originated impaired		
Commitments to disburse funds	**2,358,857**	**94,248**	**15,443**		**2,468,548**	**2,294,820**
a) Central Banks						
b) Public administrations	281,007				281,007	271,323
c) Banks	1,513				1,513	3,091
d) Other financial companies	67,570	15,348			82,918	83,494
e) Non-financial companies	1,820,790	74,516	15,217		1,910,523	1,747,388
f) Households	187,977	4,384	226		192,587	189,524
Financial guarantees issued	**503,816**	**9,704**	**10,288**		**523,808**	**498,556**
a) Central Banks						
b) Public administrations	1,883	2			1,885	1,290
c) Banks	628				628	2,116
d) Other financial companies	7,915	665			8,580	15,045
e) Non-financial companies	462,525	8,174	9,978		480,677	446,298
f) Households	30,865	863	310		32,038	33,807

Guarantees issued and commitments to disburse funds, shown here net of value adjustments (Euro 7,616 thousand) include net impaired exposures amounting to Euro 18,116 thousand (see table A.1.7 in Section 1 of Part E "Information on risks and related hedging policies).

2. Other commitments and other guarantees issued

	Nominal amount	
	31.12.2021	31.12.2020
Other guarantees issued	**271**	**271**
of which: impaired credit exposures		
a) Central Banks		
b) Public administrations		
c) Banks	271	271
d) Other financial companies		
e) Non-financial companies		
f) Households		
Other commitments		
of which: impaired credit exposures		
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
e) Non-financial companies		
f) Households		

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	31.12.2021	31.12.2020
1. Financial assets measured at fair value through profit or loss	48,322	48,810
2. Financial assets measured at fair value through other comprehensive income	340,246	57,357
3. Financial assets measured at amortised cost	3,047,929	2,740,474
4. Property, plant and equipment		
- of which: property, plant and equipment constituting inventories		

The financial assets referred to in point 1. are recognised at their carrying amount and refer to the commitments related to the management of the separate assets in debt securities and UCITS units for the investment of the liquidity generated by the Pension Fund - Sections A-A1.

The financial assets referred to in points 2. and 3. are recorded at their carrying amount and committed as follows:

- for "pooling" transactions at the Bank of Italy for Euro 2,424.5 million;
- by way of additional guarantee against loans taken out with EIB for Euro 190.0 million.

The following amounts are also included in point 3. "Financial assets measured at amortised cost":

- Euro 163,555 thousand relating to the residual debt of the loans to customers, granted on the basis of the agreement entered into with the European Investment Bank (EIB), assigned with recourse to the EIB to guarantee the borrowings contracted by the Bank with the latter;
- Euro 31,952 thousand relating to the residual debt of the loans to customers, disbursed on the basis of the agreement stipulated with Cassa Depositi e Prestiti (CDP), assigned with recourse to the CDP to guarantee the borrowings contracted by the Bank with the latter;
- Euro 578,215 thousand referring to Abaco receivables.

Note also the presence of other assets, which are not recorded in the balance sheet assets, used as collateral to guarantee loans received from the European Central Bank, represented by ABS (Asset Backed Security) securities for a nominal amount of Euro 530.8 million deriving from three self-securitisation transactions carried out in 2014, 2018 and 2020 respectively.

5. Management and brokerage on behalf of third parties

Type of services	Amount
1. Fulfilment of orders on behalf of customers	**1,356,315**
a) purchases	793,172
1. settled	792,929
2. unsettled	243
b) sales	563,143
1. settled	562,794
2. unsettled	349
2. Portfolio management	
a) individual	
b) collective	
3. Custody and administration of securities	**9,696,594**
a) third-party securities on deposit: related to the performance of custodian bank (excluding portfolio management)	
1. securities issued by the reporting bank	
2. other securities	
b) other third-party securities on deposit (excluding portfolio management): others	1,402,952
1. securities issued by the reporting bank	569,105
2. other securities	833,847
c) third party securities deposited with third parties	1,381,972
d) own securities deposited with third parties	6,911,670
4. Other transactions	

With reference to the data included in the table, the following is specified:

- trading of financial instruments on behalf of third parties: unsettled "purchases" and "sales" consist of purchase/sale contracts for which financial settlement has not yet been enacted at the end of the year;
- asset management: the total amount, at market values, of the assets managed on behalf of other parties is here indicated;
- custody and administration of securities: securities subject to custody and administration contracts are recognised at their nominal amount.

Part C - Information on the consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	31.12.2021	31.12.2020
1. Financial assets measured at fair value through profit or loss	**4,203**		**305**	**4,508**	**3,834**
1.1 Financial assets held for trading	6		305	311	290
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	4,197			4,197	3,544
2. Financial assets measured at fair value through other comprehensive income	**(574)**		**X**	**(574)**	**708**
3. Financial assets measured at amortised cost:	**25,835**	**115,954**		**141,789**	**137,734**
3.1 Loans to banks	1,012	38	X	1,050	1,176
3.2 Loans to customers	24,823	115,916	X	140,739	136,558
4. Hedging derivatives	**X**	**X**			
5. Other assets	**X**	**X**	**280**	**280**	
6. Financial liabilities	**X**	**X**	**X**	**18,307**	**11,595**
Total	**29,464**	**115,954**	**585**	**164,310**	**153,871**
of which: interest income on impaired financial assets		8,455		8,455	9,610
of which: interest income on financial leases	X		X		

The amount of Euro 305 thousand in item 1. "Other transactions" refers to the difference between asset and liability differentials generated by the financial derivatives described in Table 2.1 of Assets and 2.1 of Liabilities.

The amount under item "6. Financial liabilities" refers to the accrued interest recorded with reference to the refinancing transactions of the TLTRO-II and TLTRO-III type, for Euro 17,284 thousand, and to interest *income on* classic repos stipulated by the Bank on the MTS platform for Euro 1,023 thousand.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income on financial assets in foreign currency

	31.12.2021	31.12.2020
Interest income on financial assets in foreign currency	125	233

The figure of interest income on assets in foreign currency is due in full to interest on current accounts in foreign currency and advances in foreign currency.

1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31.12.2021	31.12.2020
1. Financial liabilities measured at amortised cost	(7,382)	(3,517)		(10,899)	(12,796)
1.1 Due to central banks		X	X		
1.2 Due to banks	(457)	X	X	(457)	(578)
1.3 Due to customers	(6,925)	X	X	(6,925)	(8,601)
1.4 Securities issued	X	(3,517)	X	(3,517)	(3,617)
2. Financial liabilities held for trading					
3 Financial liabilities designated at fair value		(559)		(559)	(669)
4. Other liabilities and provisions	X	X			
5. Hedging derivatives	X	X	(1,360)	(1,360)	(813)
6. Financial assets	X	X	X	(2,129)	(238)
Total	**(7,382)**	**(4,076)**	**(1,360)**	**(14,947)**	**(14,516)**
of which: interest expense on lease payables	(351)	X	X	(351)	(384)

The amount shown in point "5. Hedging derivatives" represent the imbalance between receivables and payables on derivative contracts entered into to hedge against interest rate risk and accounted for according to the macrohedging rules.

With effect from 1 January 2019 following the adoption of the IFRS 16 accounting standard relating to leases, this table shows separately the interest expense relating to the payables recorded in the liabilities as a counter-entry to the rights of use acquired with the lease.

1.4 Interest expense and similar charges: other information

1.4.1 Interest expense on liabilities in foreign currency

	31.12.2021	31.12.2020
Interest expense on liabilities in foreign currency	(40)	(43)

The figure for interest expense on liabilities in foreign currency is attributable to interest paid on customer accounts and relations with banks (Euro 17 thousand and Euro 23 thousand respectively).

1.5 Spreads relating to hedging transactions

Items	31.12.2021	31.12.2020
A. Positive spreads relating to hedging transactions	2,477	1,606
B. Negative spreads relating to hedging transactions	(3,837)	(2,419)
C. Balance (A-B)	**(1,360)**	**(813)**

As of 2020, this table shows the spreads related to IRS contracts entered into to hedge the interest rate risk of a portfolio of fixed-rate mortgages, and managed in accordance with the macrohedging rules, as defined by IAS 39.

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Values	31.12.2021	31.12.2020
a) Financial instruments	20,176	17,552
1. Placement of securities		
1.1. With underwriting commitment and/or on the basis of irrevocable commitment		
1.2. Without irrevocable commitment		
2. Reception and transmission of orders and execution of orders on behalf of clients	1,320	1,705
2.1 Reception and transmission of orders for one or more financial instruments	1,320	1,705
2.2 Fulfilment of orders on behalf of customers		
3. Other commissions referring to activities related to financial instruments	18,856	15,847
of which: trading on own account		
of which: individual portfolio management		
b) Corporate Finance		
1. Advisory services on Mergers and Acquisitions		
2. Treasury services		
3. Other commissions associated with corporate finance services		
c) Investment advisory activities	1,932	
d) Clearing and settlement		
e) Collective portfolio management		
f) Custody and administration	336	358
1. Custodian bank		
2. Other fees related to custody and administration activities	336	358
g) Central administrative services for collective portfolio management		
h) Fiduciary activity		
i) Payment services	11,213	8,670
1. Current accounts	338	343
2. Credit cards	605	770
3. Debit and other payment cards	6,190	4,283
4. Wire transfers and other payment orders	1,203	1,041
5. Other fees related to payment services	2,877	2,233
j) Distribution of third-party services	19,290	16,819
1. Collective portfolio management		
2. Insurance products	15,318	14,003
3. Other products	3,972	2,816
of which: individual portfolio management		
k) Structured finance	3,562	3,323
l) Servicing activities for securitisation transactions		
m) Commitments to disburse funds	10,975	11,481
n) Financial guarantees issued	4,936	4,327
of which: credit derivatives		
o) Financing operations	649	654
of which: for factoring transactions		
p) Trading in foreign currencies	729	563
q) Goods		
r) Other commission income	23,860	23,631
of which: for the management of multilateral trading systems		
of which: for the management of organised trading systems		
Total	**97,658**	**87,378**

The tables relating to the details of the income from services, commission income and commission expense, have been entirely revised with the seventh update of Bank of Italy Circular no. 262 "The bank financial statements: formats and rules for preparation" dated 29 October 2021, with a view to realigning the financial statement disclosures to that of FINREP. Following this update and to make the figure of the current year comparable to those of the previous year, it was necessary to restate the figures of the previous year.

Commission income increased overall by Euro 10.3 million, or +11.8%; in detail, compared to the previous year, thanks to the launch by the Parent Bank of a new platform dedicated to investments, commission income on investment advisory services amounted to Euro 1.9 million; double-digit growth was also recorded for commissions on collection and payment services, which, after the decline in 2020, which was heavily impacted by the lock-down effect of the COVID-19 pandemic, grew by a total of Euro 2.5 million. The constant contribution to the income from services of the indirect funding component, more specifically the distribution of insurance products and assets under management (+2.5 million euros), continued to be strongly positive.

With reference to the disclosure pursuant to IFRS 7, paragraph 20, letter c (i), there is no income arising from financial assets or liabilities not designated at fair value through profit or loss.

2.2 Fee and commission expense: breakdown

Services/Values	31.12.2021	31.12.2020
a) Financial instruments	(333)	(342)
of which: trading in financial instruments	(333)	(342)
of which: placement of financial instruments		
of which: individual portfolio management		
- Own		
- Delegated by third parties		
b) Clearing and settlement		
c) Collective portfolio management		
1. Own		
2. Delegated by third parties		
d) Custody and administration	(403)	(343)
e) Collection and payment services	(2,276)	(2,577)
of which: credit cards, debit cards and other payment cards	(1)	(7)
f) Servicing activities for securitisation transactions		
g) Commitments to receive funds		
h) Financial guarantees received	(71)	(333)
of which: credit derivatives		
i) Off-site selling of financial instruments, products and services		
j) Trading in foreign currencies		
k) Fee and commission expense	(574)	(689)
Total	**(3,657)**	**(4,284)**

"Commission expense" decreased by Euro 627 thousand compared to the previous year; this decrease is mainly due to the reduction in commission expense paid by the Parent Bank for financial guarantees received (Euro -262 thousand) which in 2020 had recorded a peak linked to FCG guarantees issued by the Ministry of Economic Development to guarantee the loans granted by the Parent Bank to SMEs. There was also a reduction in commission expense on collection and payment services (-301 thousand euros).

With reference to the disclosure pursuant to IFRS 7, paragraph 20, letter c (i), there are no expenses arising from financial assets or liabilities not designated at fair value through profit or loss.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2021		31.12.2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		164		177
C. Financial assets measured at fair value through other comprehensive income	673		1,279	
D. Equity investments				
Total	**673**	**164**	**1,279**	**177**

The item "Financial assets measured at fair value through other comprehensive income" includes dividends received on minority interests managed under the "Equity fair value option". This item includes the dividend paid by the Bank of Italy for Euro 427 thousand.

This item also includes dividends collected on equity securities, other than minority investments, for which the Bank has exercised the equity OCI option; in 2021, these dividends amounted to a total of Euro 114 thousand.

The item "Similar income" includes income paid by units of UCITS/ETFs, classified under "Financial assets mandatorily measured at fair value".

Section 4 - Net profit (loss) from trading - Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**273**	**20**	**(27)**		**266**
1.1 Debt securities		20	(27)		(7)
1.2 Equity securities	273				273
1.3 UCITS units					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**1,022**
4. Derivative instruments	**258**	**1,160**	**(278)**	**(952)**	**217**
4.1 Financial derivatives:	258	1,160	(278)	(952)	217
- On debt securities and interest rates	4	38	(278)	(63)	(299)
- On equity securities and equity indices	254	1,122		(889)	487
- On currencies and gold	X	X	X	X	29
- Other					
4.2 Credit derivatives					
of which: natural hedges related to the fair value option	X	X	X	X	
Total	**531**	**1,180**	**(305)**	**(952)**	**1,505**

As of 01.01.2018, following the fifth update of Bank of Italy Circular no. 262, this table also includes gains and losses recognised on derivatives linked to the fair value option which, prior to the entry into force of IFRS 9, were recognised in item 110 together with the valuations of hedged bonds.

The item "Financial derivatives" also includes the economic results of derivatives listed on regulated markets and included in the trading activities of the Parent Bank.

Section 5 - Net profit (loss) from hedging - Item 90

5.1 Net profit (loss) from hedging: breakdown

Income components/Values	31.12.2021	31.12.2020
A. Income relating to:		
A.1 Fair value hedging derivatives	10,244	
A.2 Hedged financial assets (fair value)	1	4,065
A.3 Hedged financial liabilities (fair value)		
A.4 Cash flow hedging derivatives		
A.5 Assets and liabilities in foreign currency		
Total income from hedging (A)	**10,245**	**4,065**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(1)	(4,555)
B.2 Hedged financial assets (fair value)	(9,459)	
B.3 Hedged financial liabilities (fair value)		
B.4 Cash flow hedging derivatives		
B.5 Assets and liabilities in foreign currency		
Total hedging charges (B)	**(9,460)**	**(4,555)**
C. Net profit (loss) from hedging (A - B)	785	(490)
of which: result of hedges on net positions		

This table shows the changes in fair value deriving from the hedging of interest rate risk as part of fair value hedging transactions.

As required by international accounting standards (IAS 39), this item reports changes in the fair value of hedging instruments and hedged items that are within the effectiveness corridor set out by IAS 39 (80-125%).

For the results of the effectiveness tests, please refer to table 5.2 of Part B (Information on the Balance Sheet - Assets).

Section 6 - Profits (losses) on disposal/repurchase - Item 100

6.1 Profits (losses) on disposal/repurchase: breakdown

Items/Income components	31.12.2021			31.12.2020		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	28,446	(18)	28,428	9,082	(14)	9,068
1.1 Loans to banks						
1.2 Loans to customers	28,446	(18)	28,428	9,082	(14)	9,068
2. Financial assets measured at fair value through other comprehensive income	620	(128)	492	2,878	(2,514)	364
2.1 Debt securities	620	(128)	492	2,878	(2,514)	364
2.2 Loans						
Total assets (A)	**29,066**	**(146)**	**28,920**	**11,960**	**(2,528)**	**9,432**
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued		(4)	(4)		(156)	(156)
Total Liabilities (B)		**(4)**	**(4)**		**(156)**	**(156)**

The net result recorded under item "Financial assets measured at amortised cost" refers for the most part (approximately Euro 18.6 million) to the sale of some securities included in the held to collect business model, carried out in compliance with the rules set out in IFRS 9 in terms of both turnover and volumes of financial assets sold with respect to the total volume of the portfolio, and in part (approximately Euro 9.8 million) to the sale of individual loans to customers that were already classified as non-performing.

The economic figure relating to "Financial liabilities" shows a small negative result, due to the repurchases on the secondary market of its own bond issues.

Section 7 - Net income of financial assets and liabilities measured at fair value through profit or loss - item 110

7.1 Net change in value of financial assets/liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt securities					
1.2 Loans					
2. Financial liabilities	**526**				**526**
2.1 Debt securities	526				526
2.2 Due to banks					
2.3 Due to customers					
3. Financial assets and liabilities in foreign currency: exchange rate differences	X	X	X	X	
Total	**526**				**526**

The table shows in detail the impact on the income statement of gains and losses from realisation and\or repayment of financial liabilities classified under the fair value options, as well as valuation gains and losses; the impact of valuations of derivatives related to the fair value option on liabilities is instead shown in item 80 of the income statement.

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

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**1,305**	**105**	**(5,957)**	**(69)**	**(4,616)**
1.1 Debt securities	127	4	(1,251)	(69)	(1,189)
1.2 Equity securities			(29)		(29)
1.3 UCITS units	1,178	101	(4,677)		(3,398)
1.4 Loans					
2. Financial assets in foreign currency: exchange rate differences	X	X	X	X	
Total	**1,305**	**105**	**(5,957)**	**(69)**	**(4,616)**

This table shows the impacts on the income statement of financial assets mandatorily measured at fair value, i.e. those assets that, on the basis of the rules set forth in IFRS 9, do not pass the SPPI test as from 1 January 2018, i.e. they cannot be included in a business model at amortised cost or measured at fair value through other comprehensive income.

From the 2019 financial year, on the basis of the provisions contained in the regulation of the Augusto closed-end real estate fund, the Parent Bank decided to proceed with a further write-down of the class C units in accordance with the provisions of the Fund's regulation, which provides for a privilege at the time of liquidation in favour of the class A units in the event of failure to achieve a minimum target return of the latter. In view of the Fund's current performance and future forecasts, this return will (almost certainly) not be achieved; it was therefore decided to maintain the value of the C units, limited to the unit that will be recognised in proportion to the A units held by the Parent Bank.

On the real estate funds component at 31 December 2021, capital losses of approximately Euro 4.6 million were recognised.

Section 8 - Net value adjustments/write-backs for credit risk - Item 130

8.1 Net value adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/income components	Value adjustments (1)						Write-backs (2)				31.12.2021	31.12.2020
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	(13)						6				(7)	33
- Loans	(13)										(13)	29
- Debt securities							6				6	4
B. Loans to customers		(671)	(2,722)	(50,558)		(933)	2,354	210	38,931	771	(12,618)	(14,911)
- Loans		(671)	(2,722)	(50,558)		(933)	2,300		38,931	771	(12,882)	(15,747)
- Debt securities							54	210			264	836
Total	(13)	(671)	(2,722)	(50,558)		(933)	2,360	210	38,931	771	(12,625)	(14,878)

The allocations on loans of the period, together with the precise credit risk hedging policy that the Parent Bank has been pursuing for several years now, made it possible to ensure constant monitoring of non-performing loans, and has allowed all coverage ratios to remain in line with the excellent ones achieved in the previous year; in fact, the coverage rate on the overall problem loan stood at 67.5% (against 67.8% at the end of 2020); the coverage on loans classified as "unlikely to pay" was 61.7% (59.2% at 31 December 2020) and that on bad loans was 86.0% (86.2% at 31 December 2020).

To be noted is also that following the adoption of the IFRS 9 accounting standard and related adjustments to the financial statements included in the 5th update of Bank of Italy Circular no. 262, this item no longer includes the write-downs of interest on non-performing loans, interest that is calculated and recognised on the net value of the loan. From 1 January 2018, the interest from the release of the discounting component on the non-performing portfolio is also recognised under Item 10 "Interest income and similar revenues".

The valuation of loans is in line with the valuation method (policy) approved by the Board of Directors. The timely monitoring allowed an in-depth analysis of the existing portfolio, which allowed to continue the process of careful assessment and classification of positions with initial signs of impairment.

Portfolio value adjustments or write-backs are shown for imbalance with reference to the entire portfolio of performing loans.

Please note that, with reference to the calculation of expected losses on performing cash loans, as from 31 December 2019, the Parent Bank has adopted, pending the validation of the model by the Supervisory Authority, the AIRB bank specific parameters.

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

Transactions/income components	Net value adjustments						31.12.2021	31.12.2020
	First stage	Second stage	Third stage		Purchased or originated impaired			
			Write-offs	Other	Write-offs	Other		
1. Loans subject to forbearances compliant with GL	231	33		(1,071)			(807)	(5,413)
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as subject to forbearances								
3. Loans subject to other forbearance measures		(2,155)		(9,490)			(11,645)	(5,183)
4. New loans	231	598		(1,053)			(224)	(1,788)
Total	**462**	**(1,524)**		**(11,614)**			**(12,676)**	**(12,384)**

This table, included as a supplement to the provisions of Circular no. 262 "The bank financial statements", as per the communication of 15 December 2020 by the Bank of Italy, aims to provide information on the effects that COVID-19 and the measures to support the economy have produced on the economic and financial position of banks.

The table shows the details of the net value adjustments for loans subject to "moratoria" or other forbearance measures in place at 31 December 2021, or which constitute new liquidity granted through public guarantee mechanisms.

8.2 Net value adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/income components	Value adjustments (1)						Write-backs (2)				31.12.2021	31.12.2020
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	(55)										(55)	374
B. Loans												
- To customers												
- To banks												
Total	(55)										(55)	374

The table shows the value adjustments/write-backs for credit risk, or impairment *as defined by IFRS 9, on financial assets classified in the* fair value portfolio through other comprehensive income.

All debt securities in the portfolio of the Parent Bank at 31 December 2021 are included in the first and second stage.

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

In the absence of loans measured at fair value through other comprehensive income subject to COVID-19 support measures, this table is not valued.

SECTION 9 - PROFITS (LOSSES) FROM CONTRACTUAL AMENDMENTS WITHOUT CANCELLATIONS - ITEM 140

9.1 Gains (losses) from contractual amendments: breakdown

The renegotiations of financial instruments that result in a change in the contractual conditions are accounted for based on the significance of the contractual amendment itself.

In particular, in the case of renegotiations considered insignificant, the gross amount is determined again by calculating the current value of the cash flows resulting from the renegotiation, at the original rate of the exposure. The difference between the gross amount of the financial instrument before and after the renegotiation of the contractual conditions, adjusted to consider the associated changes to the cumulative value adjustments, is recorded in the income statement as gain or loss from contractual amendments without cancellations.

With reference to the 2021 financial year, the contractual amendments without cancellations generated the following impacts:

- gains: Euro 120 thousand;
- losses: Euro 173 thousand;
- overall difference: Euro -53 thousand.

In this regard, it should be noted that renegotiations are considered significant, formalised both through a change to the existing contract and through the execution of a new contract, which determine the extinction of the right to receive the cash flows in accordance with the original contract.

In particular, the rights to receive cash flows are deemed to be extinguished in the event of renegotiations that determine the introduction of contractual clauses such as to change the classification of the financial instrument itself, that determine a change in the currency of denomination or that are carried out at market conditions, therefore, do not constitute a credit concession.

Contractual amendments and accounting derecognition (IFRS 9)

It should be noted that the moratoria granted by Sparkasse to its customers during 2020, both pursuant to the law and local regulations, decided on the basis of negotiated agreements at the provincial level, as a specific intervention of the Group, did not result in an automatic classification in stage 2 and in the identification of a forbearance measure according to prudential regulations. The Group has carried out specific assessments to verify, also considering the risk conditions prior to the outbreak of the pandemic, whether to consider the renegotiation as a measure of forbearance with consequent transition to stage 2.

With reference to the accounting of the effects (profit/loss from forbearance) relating to contractual amendments (non-forborne positions) deriving from customer support measures, Sparkasse has assessed, from a qualitative and quantitative point of view, whether the support economic relief measures have entailed the change in the characteristics of the financial assets and, consequently, whether it is necessary to proceed with their derecognition also in relation to the substantial nature of the change.

In light of the assessments made, it was deemed that the changes in relation to the moratoria granted are not to be considered substantial as these financial support measures will provide temporary relief to the debtors affected by the COVID-19 epidemic and the net economic value of the loan will not be will be significantly affected.

With reference to the majority of the moratoria granted, for which the suspension took place only with reference to the capital component, there are no economic changes to be reported. With regard to the transactions for which the interest component was also suspended, the differences between the carrying amount and the present value of the modified cash flows discounted at the original interest rate were minimal and therefore Sparkasse decided not to recognise these components in the relevant item 140 of the income statement.

Section 12 - Administrative expenses - item 190

12.1 Personnel expenses: breakdown

Type of expenses/Values	31.12.2021	31.12.2020
1) Employees	(90,903)	(87,382)
a) wages and salaries	(65,252)	(62,847)
b) social security contributions	(16,612)	(16,232)
c) severance pay		
d) social security expenses		
e) allocation to the provision for employee severance indemnity	(89)	(69)
f) allocation to the provision for pensions and similar obligations:	(6,271)	(6,233)
- with defined contribution	(6,271)	(6,233)
- with defined benefits		
g) payments to external supplementary pension funds:		
- with defined contribution		
- with defined benefits		
h) costs deriving from payment agreements based on own equity instruments		
i) other employee benefits	(2,679)	(2,001)
2) Other active personnel		
3) Directors and statutory auditors	(1,142)	(1,146)
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	254	135
6) Reimbursement of expenses for employees of third parties seconded to the company		
Total	**(91,791)**	**(88,393)**

The cost for Directors and Statutory Auditors includes both the fixed remuneration and the attendance fees and expense reimbursements.

Personnel expenses increased by Euro 3.4 million mainly due to increases in the National Collective Labour Agreement and to new hires.

12.2 Average number of employees by category

	Highest 31.12.2021	Highest 31.12.2020	Average 31.12.2021	Average 31.12.2020
Employees:	1,145.50	1,142.00	1,143.75	1,130.50
a) Executives	25.00	26.50	25.75	26.25
b) Middle managers	481.00	477.00	479.00	475.75
c) Remaining employees	639.50	638.50	639.00	628.50
Other personnel	0.00	0.00	0.00	0.00
Total	**1,145.50**	**1,142.00**	**1,143.75**	**1,130.50**

The highest and average number of employees is expressed by conventionally considering the number of employees with part-time contracts at 50%, as set forth in the rules for drawing up the Financial Statements issued by the Bank of Italy.

12.3 Company's defined benefit pension funds: costs and revenues

The defined benefit pension funds include only retired employees.

The representation in the financial statements of the expenses related to this type of provision provides for the following:

- to record the adjustment of the actuarial estimates with a balancing entry in Shareholders' Equity without passing through the income statement;
- to continue to represent in the income statement the costs deriving from the discounting of the liability (interest cost), the expected return on investments, and, if applicable, the allocation made for personnel in service (service cost).

This accounting treatment allows for a more correct representation in the income statement of the typical banking activity, avoiding "interference" linked to insurance risks unrelated to the banking business. Actuarial estimates of the Pension Fund, in fact, depend on elements that cannot be influenced and are not related to the performance of banking activities, and in addition, the Fund represents an obligation to former employees whose related benefits, i.e. the provision of services, were rendered in previous periods.

12.4 Other employee benefits

	31.12.2021	31.12.2020
Education and training expenses	(640)	(483)
Reimbursement of medical expenses	(1,027)	(1,011)
Clothing	(1)	
Other	(1,011)	(507)
Total	**(2,679)**	**(2,001)**

The table provides details of item 1.i) of the previous table 12.1 "Personnel expenses".

12.5 Other administrative expenses: breakdown

	31.12.2021	31.12.2020
Indirect taxes and duties	(15,458)	(15,015)
Property rents	(478)	(437)
Machine rents	(250)	(958)
Maintenance costs for buildings and furniture used by the Group	(2,810)	(2,483)
Expenses for electricity, heating and water	(1,773)	(1,585)
Cleaning costs	(1,188)	(1,173)
Telephone expenses	(558)	(487)
Postal charges	(464)	(420)
IT system outsourcing service fee	(11,036)	(12,450)
Software maintenance and fees	(4,440)	(2,952)
Expenses for data transmission lines	(1,141)	(1,706)
Expenses for data processing performed by third parties	(1,285)	(1,482)
Expenses for other outsourcing services	(1,262)	(1,325)
Expenses and fees for services rendered by third parties	(602)	(492)
Expenses for the transport of valuables and security	(498)	(502)
Expenses for searches, information and debt collection	(1,658)	(1,658)
Expenses for fees to professionals	(11,231)	(8,370)
Expenses for printed matter and stationery	(604)	(433)
Advertising and promotions expenses	(2,471)	(2,531)
Expenses for insurance premiums	(1,385)	(1,349)
Expenses for membership fees	(13,049)	(10,610)
- of which contributions to resolution funds and deposit guarantee schemes	(12,439)	(9,951)
Other expenses	(1,637)	(1,553)
Total	**(75,278)**	**(69,971)**

The item "Other administrative expenses" increased by Euro 5.3 million, mainly due to the Euro 2.4 million increase in membership fees, which were affected by the higher payments required from banks by the National Crisis Resolution Fund and the Interbank Deposit Protection Fund, whose total value for 2021 amounted to Euro 12.4 million. For the remainder, the greatest increases are recorded under costs for software maintenance and fees (Euro +1.5 million) and for expenses for fees to professionals (Euro +2.9 million). On the other hand, the fees for IT system outsourcing service fee decreased (Euro -1.4 million).

The other items are substantially in line with those of the previous year.

Section 13 - Net allocations to provisions for risks and charges - item 200

13.1 Net allocations for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

Items/Values	31.12.2021	31.12.2020
Commitments to disburse funds		
Financial guarantees issued	1,950	(1,435)
Total	**1,950**	**(1,435)**

13.2 Net allocations relating to other commitments and other guarantees issued: breakdown

This section is not completed; in fact, there are no allocations relating to other commitments and guarantees issued that are not already included in the previous section.

13.3 Net allocations to other provisions for risks and charges: breakdown

Items/Values	31.12.2021	31.12.2020
1. Other provisions for risks and charges:		
1.1 legal disputes	(2,224)	(4,888)
1.2 personnel expenses	(41)	(113)
1.3 other		(1,500)
Total	**(2,265)**	**(6,501)**

Section 14 - Net value adjustments/write-backs to property, plant and equipment - item 210

14.1 Net value adjustments to property, plant and equipment: breakdown

Assets/Income component	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. For business use	(12,256)			(12,256)
- owned	(7,952)			(4,370)
- rights of use acquired through leases	(4,304)			(12,058)
2. Held for investment purposes				
- owned				
- rights of use acquired through leases				
3. Inventories	X			
Total	**(12,256)**			**(12,256)**

For information on the "useful life" of property, plant and equipment for the calculation of depreciation, please refer to Section 9 of Assets.

Effective from 1 January 2019, the new accounting standard IFRS 16 Lease was applied, which led to the recognition in the assets of the lessor of the right of use of the property, plant and equipment acquired through the lease; these assets must be depreciated over the contractual life of the asset and the relative depreciation charge is shown in this table.

Section 15 - Net value adjustments/write-backs to intangible assets - item 220

15.1 Net value adjustments to intangible assets: breakdown

Assets/Income component	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which software				
A.1 Owned	(3,657)			(3,657)
- Generated internally by the company				
- Other	(3,657)			(3,657)
A.2 Rights of use acquired through leases				
Total	**(3,657)**			**(3,657)**

For information on the "useful life" of intangible assets for the calculation of amortisation, please refer to Section 10 of Assets.

Section 16 - Other operating expenses and income - item 230

16.1 Other operating expenses: breakdown

Items/Values	31.12.2021	31.12.2020
Other operating expenses		
Pension Fund (Section A/A1) - Allocation to the Provision of net revenues generated by invested assets	(1,074)	(427)
Pension Fund (Section A/A1) - Net losses generated by invested assets		
Pension Fund (Section A/A1) - Impact of the discounting cost of liabilities (interest cost)	(256)	(396)
Maintenance costs - properties held for investment purposes	(261)	(213)
Costs from securitisation of receivables	(925)	(847)
Other charges	(1,539)	(1,618)
Total	**(4,055)**	**(3,501)**

The item "Other operating expenses" recorded an increase of Euro 554 thousand compared to the previous year; the predominant impact on the final result was the net revenues generated by the investment of the financial assets recorded in the Pension Fund (Section A/A1), which recorded a net result of Euro 1,074 thousand in 2021 compared to Euro 427 thousand in 2020.

The remaining items are in line with those of the previous year.

16.2 Other operating income: breakdown

Items/Values	31.12.2021	31.12.2020
Other operating income		
Rental income on properties held for investment purposes	2,611	2,682
Stamp duty recast	10,718	10,043
Recovery of substitute tax on medium/long-term loans	1,985	2,122
Pension Fund (Section A/A1) - Net revenues generated by invested assets	1,074	427
Pension Fund (Section A/A1) - Allocation to the provision of net losses generated by invested assets		
Pension Fund (Section A/A1) - Impact of the expected return of the invested portfolio	256	396
Other income	5,023	1,651
Total	**21,667**	**17,321**

The item "Stamp duty recast" is slightly higher than the figure of the previous year.

In the items that make up "Other income" there was a considerable increase due to the settlement of the liability action with the former top management for an amount of Euro 3 million.

Again in the context of other income, the quick investigation commission records a reduction of Euro 160 thousand compared to the 2020 values.

Section 17 - Gains (losses) on equity investments - item 250

17.1 Gains (losses) on equity investments: breakdown

Income component/Values	31.12.2021	31.12.2020
1) jointly controlled entities		
A. Income		
1. Revaluations		
2. Gains on disposal		
3. Write-backs		
4. Other income		
B. Charges		
1. Write-downs		
2. Impairment losses		
3. Losses on disposal		
4. Other charges		
2) companies subject to significant influence		
A. Income	384	
1. Revaluations	384	
2. Gains on disposal		
3. Write-backs		
4. Other income		
B. Charges		
1. Write-downs		
2. Impairment losses		
3. Losses on disposal		
4. Other charges		
Net result	384	

This table shows the Parent Bank's portion of profit recorded by the investment in Autosystem società di servizi in which it holds a 25% stake and which is consolidated using the equity method.

Section 18 - Net result from fair value measurement of property, plant and equipment and intangible assets - item 260

18.1 Net result from measuring property, plant and equipment and intangible assets at fair value (or revalued amount) or estimated realisable value: breakdown

Assets/Income component	Revaluation (a)	Write-downs (b)	Exchange rate differences		Net result (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plant and equipment	**1,913**	**(4,340)**			**(2,427)**
A.1 For business use					
- Owned					
- Rights of use acquired through leases					
A.2 Held for investment purposes:	1,913	(4,340)			(2,427)
- Owned	1,913	(4,340)			(2,427)
- Rights of use acquired through leases					
A.3 Inventories					
B. Intangible assets					
B.1 Owned by:					
- Generated internally by the company					
- Other					
B.2 Rights of use acquired through leases					
Total	**1,913**	**(4,340)**			**(2,427)**

The fair value measurement, determined on the basis of appraisals performed at least annually, was carried out for each property.

The total figure of Euro -2,427 thousand emerges from the assessment of a qualified third party, chosen from among the leading companies in the sector.

Section 19 - Value adjustments to goodwill - item 270

19.1 Value adjustments to goodwill: breakdown

This section is not completed as neither in the year 2021 nor in 2020 were any impairment losses recognised on goodwill, which was already fully written down in 2019.

Section 20 - Gains (losses) on disposal of investments - item 280

20.1 Gains (losses) on disposal of investments: breakdown

Income component/Values	31.12.2021	31.12.2020
A. Properties	**2,462**	**19**
- Gains on disposal	2,462	19
- Losses on disposal		
B. Other assets	**(19)**	**4**
- Gains on disposal	8	7
- Losses on disposal	(27)	(3)
Net result	**2,443**	**23**

Section 21 - Income taxes for the year on current operations: breakdown - item 300

21.1 Income taxes for the year on current operations: breakdown

Income components/Values		31.12.2021	31.12.2020
1.	Current taxes (-)	(13,156)	(3,898)
2.	Changes in current taxes from previous years (+/-)	248	205
3.	Reduction in current taxes for the year (+)		
3.bis	Reduction in current taxes for the year for tax credits pursuant to Law no. 214/2011 (+)		
4.	Change in prepaid taxes (+/-)	(23,531)	(12,615)
5.	Change in deferred taxes (+/-)	16,150	725
6.	**Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(20,289)**	**(15,583)**

Current taxes refer to the IRES and IRAP payable of the Parent Bank and the company Sparim. The change/reduction in deferred taxes is significantly affected by the reversal portion of the 2021 reversal portion of the Parent Bank's taxable DTAs and the impact of the redemption transaction for tax purposes carried out by Sparim.

21.2 Reconciliation between theoretical tax expense and actual tax expense in the financial statements

	IRES	IRAP
Profit from current operations before tax	**109,486**	**109,486**
Non-deductible costs for IRAP purposes		9,862
Non-taxable revenues for IRAP purposes		(20,695)
Total	**109,486**	**98,653**
Theoretical tax charge (IRES 27.5% - IRAP 4.64%)	29,803	4,402
Permanent increases	1,534	862
Permanent decreases	(4,782)	
Other increases/decreases	(9,935)	(1,596)
Total taxes for the year	**16,620**	**3,668**

The difference between the theoretical tax charge and the actual tax charge described in this table is attributable to:

- the exemption/non-deductibility of capital gains/losses on securities falling within the scope of application of the so-called participation exemption;
- the substantial exemption of dividends received;
- the portion of subsidised income for ACE purposes, as well as
- to other non-taxable/non-deductible components of a lower amount.

Section 22 - Profit (loss) from discontinued operations after taxes - item 320

22.1 Profit (loss) from discontinued operations after taxes: breakdown

Income components/Values	31.12.2021	31.12.2020
1. Income		162
2. Charges	(400)	(451)
3. Result of the valuation of the group of assets and associated liabilities		
4. Gains (losses) on disposal		
5. Taxes and duties		
Profit (loss)	**(400)**	**(289)**

The values included in this table are attributable to the reclassification of the charges and income relating to the company Raetia SGR S.p.A. in liquidation, which is fully consolidated and allocated under "Assets held for sale", "Liabilities associated with assets held for sale" in the financial statements of the Parent Bank.

22.2 Details of income taxes relating to discontinued operations

	31.12.2021	31.12.2020
1. Current taxation (-)		
2. Change in prepaid taxes (+/-)		
3. Change in deferred taxes (-/+)		
4. Income taxes for the year (-1+/-2+/-3)		

This item is not recognised as the adjustment of the value of assets held for sale relating to participations under the PEX (participation exemption) regime does not represent a deductible component of the company's income.

Section 23 - Profit (loss) for the year attributable to minority interests - item 340

23.1 Details of item 340 "Profit (loss) for the year attributable to minority interests"

This table is not valued since in both years, i.e. 2021 and 2020 as the comparison period, this item is equal to zero.

Section 24 - Other information

There is no further relevant information.

Section 25 - Earnings per share

Earnings/losses per share are calculated by dividing net profit/loss by the weighted average number of ordinary shares outstanding.

25.1 Average number of ordinary shares with diluted capital

Earnings per share are calculated on 60,204,612 shares, with 747,401 shares repurchased.

25.2 Other information

Earnings per share for the year amounted to Euro 1.21 (Euro 0.50 at 31 December 2020).

Part D - Consolidated comprehensive income

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2021	31.12.2020
10.	**Profit (loss) for the year**	**72,609**	**30,303**
Other income components without reversal to the income statement:		**(24,196)**	**11,842**
20.	Equity securities designated at fair value through other comprehensive income	(27,438)	14,292
	a) Change in fair value	3,714	14,305
	b) Transfers to other components of shareholders' equity (derecognised equity securities)	(31,152)	(13)
30.	Financial liabilities designated at fair value through profit or loss (changes in		
	a) Change in fair value		
	b) Transfers to other components of shareholders' equity (derecognised equity securities)		
40.	Hedging of equity securities designated at fair value through other comprehensive income		
	a) Change in fair value (hedged item)		
	b) Change in fair value (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit plans	2,582	(2,287)
80.	Non-current assets held for sale		
90.	Portion of valuation reserves of equity-accounted investments		
100.	Income taxes relating to other income components without reversal to the income statement	660	(162)
Other income components with reversal to the income statement:		(678)	(1,901)
110.	Foreign investment hedges		
	a) changes in fair value		
	b) reversal to income statement		
	c) other changes		
120.	Exchange rate differences:		
	a) changes in fair value		
	b) reversal to income statement		
	c) other changes		
130.	Cash flow hedges:		
	a) changes in fair value		
	b) reversal to income statement		
	c) other changes		
	of which: result of net positions		
140.	Hedging instruments: (non-designated elements)		
	a) changes in value		
	b) reversal to income statement		
	c) other changes		
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(999)	(2,801)
	a) changes in fair value	(650)	390
	b) reversal to income statement	(349)	(3,191)
	- adjustments for credit risk	55	(374)
	- gains/losses on disposal	(404)	(2,817)
	c) other changes		
160.	Non-current assets held for sale:		
	a) changes in fair value		
	b) reversal to income statement		
	c) other changes		
170.	Portion of valuation reserves of equity-accounted investments:		
	a) changes in fair value		
	b) reversal to income statement		
	- impairment losses		
	- gains/losses on disposal		
	c) other changes		
180.	Income taxes relating to other income components with transfer to the income statement	321	900
190.	**Total other income components**	**(24,874)**	**9,941**
200.	**Comprehensive income (10+190)**	**47,735**	**40,244**
210.	Consolidated comprehensive income attributable to minority interests		
220.	**Consolidated comprehensive income attributable to the Parent Bank**	**47,735**	**40,244**

Part E - Information on risks and related hedging policies

INTRODUCTION

Role of Corporate bodies

The Parent Bank Cassa di Risparmio di Bolzano S.p.A., since its transformation into a joint-stock company in 1992, has adopted the administration and control system characterised by the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting, and decided to maintain this so-called "traditional" system also following the entry into force of the 2003 corporate law reform. Indeed, although Cassa di Risparmio di Bolzano S.p.A. is a company with a single majority shareholder (therefore the presence of a stable majority) and with the remaining shareholding structure characterised by small shareholders, the Shareholders' Meeting has always considered it to be of primary importance the existence of a clear separation between management and control activities.

Moreover, since May 2015, the management system of Cassa di Risparmio di Bolzano S.p.A. is characterised by the presence of the Chief Executive Officer; a figure that, due to the provisions of the Articles of Association in force, must correspond with that of the General Manager.

The role and duties of the Parent Bank's Corporate bodies are governed by specific Regulations (of the Board of Directors, of the Board of Statutory Auditors, of the Chief Executive Officer and General Manager and in the Articles of Association). In addition, within the Board of Directors, the Risk Committee (intra-board committee) has been established and is entrusted with the tasks set forth in the Supervisory provisions, as well as, since January 2016, with the functions previously assigned to the Associated Parties Committee, a committee that was repealed in January 2016.

In summary:

- the Board of Directors is assigned **strategic supervision** and **management functions**;
- the Chairman of the Board of Directors is responsible for the legal representation of the Parent Bank and the use of the free corporate signature; the Chairman monitors the performance of the company, supervises the execution of the resolutions of the administrative bodies and chairs the Shareholders' Meeting and the Board of Directors;
- the Chief Executive Officer and General Manager is assigned the task of collaborating with the Board of Directors in carrying out **management functions**, i.e. in implementing the guidelines resolved on by the Board of Directors in exercising its strategic supervision function;
- the Board of Statutory Auditors is assigned the **task of control**, i.e. verifying the adequacy and compliance of the organisational system, the risk management system, the capital self-assessment system and the internal control system with the requirements set forth by the law and supervisory regulations.

Periodically, the Board of Directors carries out its own self-assessment to verify the correct and effective functioning of the Board and its adequate composition. In particular, the Board assesses the adequacy:

- of the procedures adopted to define the composition of the Board of Directors with respect to those set forth in the Law and Supervisory provisions as well as in the Articles of Association;
- the activities actually carried out by the Board of Directors with respect to those indicated by the Law, Supervisory and Articles of Association provisions that govern the role of the Board in various matters.

The Board of Statutory Auditors also carries out a self-assessment on its composition and functioning.

The Parent Bank decided in 2009 to adopt a **Supervisory Body (SB)**, established pursuant to Legislative Decree no. 231/2001. Since May 2015, the Supervisory Body has been assigned to the Board of Statutory Auditors of the Parent Bank.

The legal and supervisory provisions, in particular on corporate governance, establish that the internal control system (*set of rules, functions, structures, resources, processes and procedures*) is a fundamental element of the overall system of governance of banks, which must guarantee, in particular, the achievement of strategic objectives and corporate policies, the containment of risks, the effectiveness and efficiency of business processes, the reliability and security of company information and IT procedures, compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and procedures, in addition to the prevention of the risk of the bank being involved in any unlawful activities.

Taking into account the aforementioned objectives, Cassa di Risparmio di Bolzano, also in its capacity as Parent Bank of the "Cassa di Risparmio di Bolzano" Banking Group, has defined a **corporate organisational model** for the Group as a whole and for the individual components of the Group, aimed at enabling the continuous implementation of the applicable legal and supervisory provisions. The Bank has set up a **system of internal controls and risk management** aimed at identifying, measuring, managing and monitoring the risks of the Parent Bank and the Group on a continuous basis, which involves the Corporate bodies, the company's internal control functions as well as the Supervisory Body pursuant to Legislative Decree no. 231/2001, whose functions have been assigned to the Board of Statutory Auditors; the company appointed to perform the statutory audit of the accounts also participates in the control system.

In this logic, the overall activities that the Group and its members are required to carry out to achieve their business objectives in compliance with legal and supervisory provisions and, therefore, with a view to sound and prudent management, are broken down into "Areas", which group together sets of "processes".

- Governance and Risk Management;
- Business;
- Support.

An additional "Area" relating to the regulations pertaining to "Corporate Governance" is added to these Areas. The taxonomy of the processes was revised in August 2021.

Each process is divided into "phases" and each phase into "sub-phases/activities" to be put in place for carrying out the phase itself. For each sub-phase/activity, the steps to be taken for the concrete application of the criteria are then regulated. This makes it possible to identify, for each legal and supervisory provision in force or issued from time to time, the specific activities applicable to the Group and its members, as well as to refer these activities to the relevant processes.

The corporate organisational system governs the processes that define the organisational model adopted, the role of the Corporate bodies, the delegated powers structure, the information flows and the role of the Group's members, the operational/management and risk governance and management processes, as well as the control processes set forth in the supervisory provisions.

In summary, according to the organisational model adopted:

- the criteria to be followed and the activities to be carried out are proposed by the organisational units responsible for the processes, supported by the organisation function as regards organisational aspects, validated by the compliance function for observance of external provisions (so-called regulatory compliance) and implemented in internal first-level regulatory sources (process regulations/Policies) with the approval of the body with strategic supervisory functions or by the Chief Executive Officer and General Manager (according to the delegation of powers);
- the operating procedures to be adopted, together with any IT procedures to be used for carrying out so-called complex activities, are governed and regulated in second-level internal regulatory sources (operating rules) by the relevant Organisational units, on the basis of the information provided by the Process Managers, after verification by the Compliance function of alignment with external provisions.

According to the organisational model, the execution of processes is assigned to one or more organisational units included in the organisation chart.

The role and responsibilities of the aforementioned units are governed by the regulations of the organisational structure (General Company Regulations); the duties of the control functions are also regulated in the respective process rules.

The definition of the corporate organisational model governing processes ensures compliance with the general organisation principles, as set forth in the Supervisory Provisions and in particular allows to:

- distinguish operating and support units from control units;
- identify the professional skills needed to carry out the process phases;
- assign specific powers consistent with the management requirements of the process phases;
- define the information that must be exchanged between the functions responsible for carrying out the phases of the process;

- define the information to be transmitted by the units to the Corporate bodies.

The individual organisational units periodically provide information, for the processes under their responsibility, on the activities carried out with respect to those governed by the law and supervisory provisions using a specific IT procedure indicating the company's processes and the units responsible for carrying them out. With reference to the deviations identified, adequate measures are then adopted for the purpose of their elimination, with a periodic monitoring of the state of implementation by the control functions.

Organisation of the risk management function

The Risk Management function reports directly to the body with strategic supervision, both hierarchically and functionally, collaborating with the management body and in particular with the Chief Executive Officer - General Manager with regard to administrative/management and information issues.

In compliance with the principle of independence, the Risk Management Service has the possibility to:

- access, with no restrictions, company and external data necessary for the performance of assigned tasks,
- access directly the corporate governance and control bodies,
- access financial resources, which can be activated independently, for the consultancy services necessary to carry out the assigned tasks.

The Risk Management Service is divided into the following structures:

- Credit risks and Rating Desk;
- Financial risks;
- Risk Governance.

The responsibilities of the Risk Management function can be summarised as follows:

- Ensuring the identification, measurement and monitoring, both timely and prospectively, of the significant risks that the Company incurs;
- Collaborating in defining and implementing the Risk Appetite Framework and the related risk measurement and monitoring procedures;
- Measuring and assessing risks, capital and liquidity (ICAAP and ILAAP processes) from a current, forward-looking perspective and in the event of stress, as well as formulating an opinion:
  - on the adequacy of the Tier 1 capital and the Group's total internal capital;
  - on the adequacy of the liquidity risk governance and management system;
- Collaborating in defining the procedures for the identification and management of the most significant transactions, as well as verifying their consistency with the RAF;
- Assessing the sustainability of the sizing of the equity and economic figures on the basis of the effects on the risk profile and capital adequacy;
- Analysing the risks of new products and services and those deriving from the entry into new operating and market segments, as well as assessing the potential risks associated with the outsourcing of certain business processes/activities;
- Verifying the correct performance of monitoring credit exposures (second level controls);
- Developing, validating and maintaining risk measurement, management and control systems in compliance with regulations and in line with best practice, interacting for this purpose with the functions responsible for the business processes concerned;
- Carrying out the validation of internal risk measurement models (both for management and regulatory purposes);
- Continuously assessing the adequacy of the risk management system;
- Carrying out Rating Desk activities;

- Supervising the quality of data for the information area where Risk Management is the Data Owner (AIRB parameters) by providing guidelines to ensure a certain qualitative level of the data under analysis, monitoring the resolution of the problems identified and preparing dedicated reporting to the corporate bodies.

Risk Appetite Framework

In compliance with supervisory provisions, the Group has defined the Risk Appetite Framework (RAF), i.e. the reference framework that defines - in line with the maximum assumable risk, the *business model* and the strategic plan - risk appetite, risk thresholds tolerance, risk limits, risk governance policies and reference processes needed to define and implement them.

Therefore, the formalisation of the RAF must be read in terms of integration of the overall system of internal controls and contributes to compliance with the principles of sound and prudent management.

The Risk Appetite Framework, which defines the Group's risk appetite, is broken down into the categories "Capital Adequacy", "Liquidity" and "Business Risks" in order to include all the relevant risk profiles to which the Group is exposed based on its operations and outlines the risk perimeter within which the strategy is developed and prepared during planning, which in turn is outlined in the management policies of the main business areas (credit policy, sales, investments, funding).

The additional profile that constitutes the integrated reference framework of the RAF is represented by the definition of the internal control system, consisting of a set of rules, functions, structures, resources, processes and procedures, which ensures, in compliance with of sound and prudent management, the following purposes:

- containment and prevention of risk within the limits indicated in the reference framework for determining the Group's risk appetite;
- effectiveness and efficiency of processes, as well as the reliability and security of company information and IT procedures;
- compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The implementation of such approach is ensured through the interaction between the Risk Management Function and the Strategic Planning Function which, following the performance of the processes pertaining thereto, prepare respectively the Risk Appetite Statement (RAS) and the Strategic Plan/Budget in a coordinated and consistent manner.

In compliance with the above, the RAF makes it possible to define (ex ante) an effective corporate risk management strategy and is a prerequisite for an efficient risk management process. Therefore, the process of defining the RAF cannot be misaligned with respect to the company's strategic choices and the related budgets, the particular business model adopted, as well as the overall risk level that derives from it in terms of exposure.

The definition of the risk appetite is also a useful management tool that, in addition to allowing a concrete application of prudential provisions, allows to:

- strengthening the ability to govern and manage company risks;
- supporting the strategic process;
- facilitating the development and dissemination of an integrated risk culture;
- developing a rapid and effective system for monitoring and communicating the risk profile assumed.

The RAF, taking into account the strategic plan and the significant risks identified and having defined the maximum risk that can be assumed, indicates the types of risk that the Group intends to assume and sets the risk objectives and the tolerance thresholds. For each identified parameter, the following are defined:

- the level of risk appetite, i.e. the level of risk that the Group intends to assume in order to pursue its strategic objectives;
- the level of risk tolerance, i.e. the maximum deviation from the risk appetite allowed; it must ensure sufficient margins to operate even under stress conditions within the maximum assumable risk;

- the level of risk capacity, i.e. the maximum level of risk that the Group is technically able to assume without violating the regulatory requirements or other restrictions imposed by the Supervisory Authority or by the shareholders.

In compliance with the above, the Parent Bank has defined the "risk appetite definition and control process", dividing it into the following steps:

- the first step contemplates the methods by which the Group's governing bodies define ex ante, in relation to the Group's risk-taking capacity, the level of risk within which to develop the business. The definition of the risk appetite is the result of a process that, starting from the identification and analysis of risks, identifies and quantifies the risk objectives and the tolerance thresholds; these elements express, at the highest level, the guidelines of the governing bodies on the subject of risk assumption in the implementation of corporate strategies. The risk appetite is formalised in a specific document submitted to the Board of Directors for approval;
- the second step provides for the definition of the risk appetite in terms of operating limits and risk indicators. In particular:
  - **operating limits** represent a risk mitigation and management tool as they guide and define the choices in the different segments (credit, financial, *etc.*). The operating limits are commensurate with the business model, strategic lines and operational complexity;
  - the **risk indicators**, although they depend on risk management, are not directly or sufficiently governed by the operating units responsible for carrying out the individual processes, and therefore provide reference signals for verifying whether the quality of processes, exposures and related costs (in terms of both expected loss and unexpected loss) are consistent with the risk objectives.

  The selection of operating limits and risk indicators and their calibration, in compliance with the risk objectives and tolerance thresholds approved by the Board of Directors, is delegated by the Board of Directors to the Risk Monitoring Committee;
- the third and last phase of the process defines the methods for controlling the risk objectives, the operating limits and the risk indicators, as well as for representing the results of the aforementioned controls with respect to the competent Corporate bodies and functions. In this regard, it is specified that control means both the methods for qualifying the measurements of the phenomena subject to control with respect to what is defined in terms of risk objectives, tolerance thresholds, operating limits and risk indicators, and the procedures to be adopted in the event of violations (**"Escalation procedures**"). In particular, these procedures define the operating actions to be carried out in the specific situations identified with a clear evidence of the roles and responsibilities of the Bodies and functions involved and the related timelines.

The internal reporting system is aimed at ensuring full knowledge and governance of the risks to the Corporate bodies, control functions and individual functions involved in risk management as well as the verification of compliance with the RAF. The preparation and dissemination of reports at the various levels of the company is aimed at enabling effective controls over exposure to risks, highlighting the presence of anomalies in the risk evolution, verifying compliance with the risk appetite, operating limits and the risk indicators, raising awareness of the risks assumed and assumable, as well as providing the information necessary to monitor the effectiveness of risk mitigation tools. The reporting system also provides an overview of the mitigation initiatives undertaken and their progress.

Risk culture and vision

For the Group, the existence of a solid risk culture is a pre-requisite that certainly acts as a "facilitator" for the development and implementation of an effective RAF. At the same time, the adoption of the RAF generates a process of strengthening both the company culture on risks and the understanding of risks, at all levels, capable of effectively guiding and directing the behaviour of personnel (also on risks that are difficult to quantify) as this represents the foundation for effective risk management.

Together with the adequate definition of the RAF and a strong risk culture, the RAS (Risk Appetite Statement), which provides the strategic guidelines on the risk and the behaviour expected by the structure, contributes to spreading the risk culture of the Group among its personnel, especially if used in connection with a personnel performance evaluation system.

The nature of the Group and the principles set out in the Code of Ethics and in the internal regulations constitute the value framework that gives the company management consciously prudent directions, aimed on the one hand at strengthening the capital and on the other at guaranteeing adequate profitability as a basis for perpetuating the promotion and well-being of customers, shareholders and the reference area over time. The operating model is characterised by a strong focus on traditional brokerage, favouring the financial inclusion and access to credit by households and small and medium-sized enterprises. In the reference area it is focused not only on operations but also on decision-making powers, balancing the risks of concentration and conflict of interest with the adoption of specific regulations and governance controls.

The Group's risk appetite is therefore strongly conditioned by its institutional purpose and precisely in consideration of its "mission", the Group pursues a general management strategy based on a **limited risk appetite** and a conscious assumption thereof, which is expressed:

- in rejecting transactions that may compromise the profitability and soundness of the Group;
- in the non-admissibility of technical forms that involve the assumption of risks that are not consistent with the Group's risk objectives;
- in the diversification of exposures, in order to contain their concentration;
- in acquiring the guarantees necessary for risk mitigation;
- in the Group's focus on traditional brokerage activities;
- in simplifying business processes and the organisational structure.

Section 1 - Risks of the banking group

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

The development lines of credit activities are defined in the credit policy approved by the Board of Directors, and consequently incorporated in the annual budgets. For the granting of new loans, selective and specific criteria were defined, while for the classification of the existing loan, and the related allocations, criteria based on greater prudence were adopted in evaluating the prospects for recovery and, more generally, the prospective solvency of customers.

The macroeconomic context and the moderate and selective approach in granting credit contributed to a substantial stagnation of total net loans.

In order to guarantee an effective control of the credit risk, a monitoring system has been set up, based on a strict focus on anomalous phenomena and a timely evaluation of the data of the financed subject, in order to undertake, as quickly as possible, the appropriate actions to mitigate the risk.

Impacts deriving from the COVID-19 pandemic

During 2021, the Parent Bank continued with the strategy set in 2020 aimed at addressing the potential impacts related to the health emergency following the COVID-19 pandemic crisis.

In 2020, the Parent Bank had conducted an in-depth analysis of the quality of its loan portfolio in order to identify customer groups particularly sensitive to the health crisis with the aim of defining a management strategy for the following months and years.

The areas on which attention has been focused, in order to maintain strict control over the loan portfolio, are as follows:

- strengthening the monitoring of moratorium positions;
- strengthening the monitoring of economic sectors particularly impacted by the health crisis;
- provisioning models.

The main interventions are listed below:

- **monitoring of the loan portfolio:** the monitoring and reporting on sectors potentially impacted by the health crisis and on moratoria was strengthened. Specific analyses were also carried out aimed at investigating the riskiness of the moratoria portfolio, accompanied by "What If" analyses aimed at monitoring the possible impacts on the collective balance sheets from the deterioration of this specific portfolio;
- **provisioning:** in order to include the risks associated with the economic cycle, the macroeconomic estimates of the satellite model were monitored and constantly updated, always on the basis of a prudential approach.

The Parent Bank's exposure to sectors deemed potentially relevant from a COVID-19 perspective remained constant throughout 2021. In addition, the exposure in Stage 2 of the sectors impacted by the pandemic crisis decreased and the portion of the portfolio on moratorium at 31.12.2021 is residual.

2. Credit risk management policies

2.1 Organisational aspects

The risk management process is defined as the set of rules, procedures, resources (human, technological and organisational) and control activities aimed at identifying, measuring or assessing, monitoring, preventing or mitigating and communicating to the appropriate hierarchical levels all risks assumed or assumable in the different segments and at the level of the Group's portfolio, taking advantage, in an integrated logic, of the reciprocal interrelationships and the evolution of the external context.

The credit risk management process is divided into the following phases:

- Credit risk identification;
- Credit risk measurement;
- Credit risk monitoring;
- Credit risk prevention/mitigation;
- Credit risk reporting and communication.

2.2 Management, measurement and control systems

Further details on the credit risk management process are provided below:

2.2.1 Credit risk identification

The first phase of the risk management process consists in framing the credit risk, defined as the "risk that a reduction in the value of a credit exposure is generated in correspondence with an unexpected worsening of the creditworthiness of the borrowing counterparties, including the manifest inability to fulfil all or part of their contractual obligations", and in the subsequent identification of the sources that generate it.

The transactions potentially exposed to credit risk can therefore be identified in all exposures, including financial instruments, present in the banking book and off-balance sheet, with the sole exception of positions allocated in the trading book.

The identification of the sources of credit risk is carried out by the Risk Management Function with the involvement of the operating functions that participate in the business processes of Credit and Finance, on which this risk is based. In particular, in order to identify the factors that generate credit risk, the Risk Management Function constantly monitors:

1. all loans (on-balance sheet exposures and off-balance sheet transactions);
2. transactions in financial instruments classified in the banking book;
3. cash and cash equivalents;
4. investments in property, plant and equipment and intangible assets.

The above elements referred to in points 2., 3. and 4., in compliance with supervisory provisions, fall within the scope of exposures subject to the regulation of the standardised methodology for the measurement of the capital requirement against credit risk.

2.2.2 Credit risk measurement

The measurement of credit risk must be assessed by distinguishing between measurement for regulatory purposes, identified in the measurement of the capital requirement against credit risk, and measurement for management purposes, which identifies synthetic risk measures and more detailed indicators functional to risk assessment and the subsequent monitoring phase.

The measurement of the capital requirement, carried out by the Financial Statements, Accounting and Tax Service, is performed on a quarterly basis in compliance with the reporting obligations by applying the standardised methodology as defined in the Supervisory provisions.

The measurement of credit risk for operating purposes involves specific quantitative calculations on the evolution of loans to customers, credit quality, performance of impaired positions, the relative degree of coverage, as well as the composition of loans by rating class.

Exposure to credit risk is also subjected, at least annually as part of the ICAAP process, to stress tests aimed at assessing the impacts on internal capital (and on equity) of extreme but plausible values of the risk factors.

2.2.3 Credit risk monitoring

The monitoring of credit risk refers to the activity of gathering and organising in a structured manner the results obtained from the measurement and assessment activities, as well as further quantitative and qualitative findings that support the analysis of exposure to the risks in question and the verification of compliance with the RAF indicators. It is divided into:

a. analysis of credit risk exposure, which considers:

- the capital requirement;
- the nature and composition of the portfolio;
- the quality of the portfolio;
- the degree of coverage of loans;
- the risk mitigation techniques.

Through the internal rating system, the Risk Management Function carries out specific analyses on the credit quality of both the overall credit portfolio and specific counterparties. In particular, these controls concern:

- an analysis of distribution by customer segment;
- an analysis of distribution by rating class of the overall portfolio and of each segment;
- an analysis of the composition of the loan portfolio and HTC securities divided by staging (Stage 1, Stage 2, Stage 3);
- an analysis of the transitions by staging (Stage 1, Stage 2, Stage 3);
- an analysis of the rating transitions (so-called "Transition matrices");
- an analysis of the evolution of the Probability of Default (PD), of the Loss Given Default (LGD) and of the Exposure to Default (EAD), as well as of the Expected Credit Loss (ECL);
- the accuracy/performance analysis of the models adopted.

b. second-level control over the monitoring of credit exposures, both massive and sample-based.

   The controls of the Risk Management function in this area are defined in order to ensure, on a periodic basis, that the monitoring of credit exposures, the classification of exposures, the allocations and the recovery process are carried out in compliance with internal procedures and that the same procedures are effective and reliable, with reference to the ability to promptly report the emergence of anomalies as well as to ensure the adequacy of value adjustments and related losses.

2.2.4 Credit risk prevention/mitigation

In general, the management strategy aims to contain the degree of exposure to credit risk within the values indicated in the risk appetite.
The main mitigation measures implemented to prevent credit risk, whose objective is to achieve a conscious assumption of the risk, are identified by:

a. Prior opinions on the consistency with the RAF in the presence of most significant transactions;
b. Prior opinions on the adequacy of allocations and/or classification as part of the second-level monitoring of credit exposures;
c. Prior risk assessments with regard to new products and services, activities and markets;
d. Contribution to the definition and implementation of the credit policy in compliance with the risk objectives;
e. Appropriate decision-making procedures with reference to transactions with associated parties;
f. Definition and updating of the operating limits, i.e. the set of threshold values to be referred to in order to limit the exposure to the risk in question and guide the choices concerning the management of credit risk. The criteria to be followed and the activities to be carried out for their identification are governed, in general for all risks, as part of the internal regulations on the Risk Appetite Framework.

With regard to credit risk mitigation (CRM) techniques, reference is mainly made to guarantees and any securitisation transactions, the management of which is primarily the responsibility of the Lending Department and is governed by the Regulations on the Credit Risk Mitigation Techniques Process.

2.2.5 Credit risk reporting and communication

The reporting and communication of credit risk refers to the preparation of appropriate information to be provided to the Corporate bodies and other functions regarding the risks assumed or assumable in the various segments, with the understanding, in an integrated logic, of the mutual interrelationships and the evolution of the external context.

2.3 Methods for measuring expected losses

Changes due to COVID-19

Assessment of significant increase in credit risk (SICR)

During 2021, the Bank continued with the strategy set in 2020 aimed at addressing the potential impacts related to the health emergency following the COVID-19 pandemic crisis.

The Bank continued to carry out analyses focused on the economic sectors particularly impacted by the health emergency and on the customer groups considered weaker or more exposed to the risk of slipping into Stage 2, as well as to monitor the moratoria portfolio by performing "What If" analyses aimed at monitoring the possible impacts on collective balance sheets from the deterioration of this specific portfolio.

Measurement of expected losses

In order to reflect the risks and instabilities associated with the macroeconomic context during 2021, the models for measuring expected losses were constantly monitored and updated with the macroeconomic forecasts made available on the market (ECB, Prometeia, etc.). Starting from the second half of 2021, in consideration of the general economic context which saw a significant recovery in infections and the general uncertainty about the evolution of the pandemic accompanied by tensions in commodity prices and the prospects for upward inflation, the ECB's severe GDP (EU) scenario was over-weighted.

A further development is expected for 2022, which will make it possible to incorporate the business sectors into the satellite model.

2.4 Credit risk mitigation techniques

In order to mitigate credit risk, the Parent Bank acquires typical bank guarantees, such as collateral on properties and financial instruments and personal guarantees.

The Parent Bank is carefully monitoring the use of these techniques in order to ensure their correct application also for the purposes of potential capital savings.

The management of real estate collateral reflects the provisions of current regulations; the property subject to mortgage collateral is appraised by an independent appraiser and the monitoring measures provided for by the regulations are activated on the property itself, and in particular

- the value of residential properties is verified with the aid of statistical methods at least every three years or more frequently, also by making new estimates, in the event that market conditions are subject to significant changes;
- the value of non-residential properties is verified with the aid of statistical methods every year or more frequently, also by making new estimates, in the event that market conditions are subject to significant changes;
- every 3 years, a new estimate is made by an independent expert for all exposures exceeding Euro 3 million or more than 5% of the Bank's Own Funds.

The values of real estate collateral for positions classified as unlikely to pay or bad loans, regardless of the amount, are updated with a new appraisal by an independent appraiser at a maximum frequency of 12 months or sooner if deemed necessary.

The standard contracts adopted by the Parent Bank comply with the general requirements aimed at ensuring legal certainty and the effectiveness of the guarantees themselves.

The Group does not activate offsetting agreements relating to on- and off-balance sheet transactions; there are also no credit derivatives.

3. Impaired credit exposures

The criteria adopted by the Group regarding the classification of receivables are consistent with the International Accounting Standards and with the instructions of the Bank of Italy and EBA (European Banking Authority).

The classification in the "Bad loans" category refers to on- and off-balance sheet exposures to a party in a state of insolvency (even if not legally ascertained) or in substantially comparable situations, regardless of any loss forecasts made by the Parent Bank.

Beyond the situations ascertained by official acts (bankruptcy procedures, recurrent protests, injunctions, etc.), the difficulty shown by the customer in overcoming persistent economic-financial imbalances, such as to confirm - albeit with a variable degree of probability - its inability to meet the commitments undertaken, is of relevance.

The classification into the category Unlikely to pay is the result of the Parent Bank's opinion on the improbability that, without recourse to actions such as enforcement of guarantees, the debtor will fully meet its credit obligations (in terms of principal and/or interest).

The Guidelines on the new definition of default (EBA/GL/2016/07) have also introduced specific rules to evaluate the propagation of the default on the basis of existing links with positions (co-obligations, group links, etc.) classified as default.

The classification in the risk category of impaired past due and/or overrun exposures concerns on-balance sheet exposures, other than those classified as bad loans or unlikely to pay, which, at the reporting reference date, are past due or overrun.

The past due or overrun must be continuous, or must persist for 90 consecutive days.

In the case of exposures repayable by instalments, the rules set out in Article 1193 of the Civil Code apply to the allocation of payments to the individual instalments past due, unless otherwise specifically agreed in the contract.

In the case of "revocable" overrun facilities in which the credit limit granted has been exceeded (even if as a result of the capitalisation of interest), the default occurs - whichever occurs first - from the date of the first non-payment of interest resulting in the overrun or from the date of the first demand for repayment of principal.

For the purpose of verifying the thresholds, all exposures of the reporting bank to the same debtor are taken into consideration. Equity exposures are excluded.

For the purpose of determining the amount of past due and/or overrun exposure, there is no provision for offsetting past due amounts against open and unused credit lines (available margins).

The overall exposure to a debtor must be recognised as impaired past due and/or overrun, if, on the reference date of the report, the amount of the principal, interest or commissions not paid on the date in which it was due exceeds both of the following thresholds:

a) absolute limit equal to Euro 100 for retail exposures and equal to Euro 500 for exposures other than retail ones;

b) 1% relative limit given by the ratio of the past due and/or overrun total amount to the total amount of all credit exposures regarding the same debtor (including the exposures sold and not derecognised for financial statements purposes).

In accordance with the provisions of the Guidelines on the new definition of default (EBA/GL/2016/07), it is necessary to consider the following credit obligations among the past due and/or overrun exposures due to the propagation of default:

a) all joint credit obligations to a pool of debtors (co-obligations) and all individual exposures to such debtors where a joint credit obligation of two or more debtors is classified as past due, unless there is justification for inappropriately recognising the default of individual exposures;

b) the credit obligations of a person fully responsible for the obligations of a company, if the latter is classified under past due (e.g. surety shareholder of a partnership).

The technical-organisational procedures used in the management and control of non-performing loans are structured in relation to the degree of anomaly of the position.

With regard to unlikely to pay and impaired past due and overrun exposures, performance monitoring is carried out with periodic reviews in order to assess:

- the reversibility or otherwise of the economic-financial difficulties of the counterparties;
- the regularity of the repayment plans presented by debtors;
- in the case of positions subject to forbearance, it is necessary to examine the outcome of the initiatives taken to normalise/restructure the loans (repayment plans, revisions of the technical form of use, *etc.*);

- determination on a regular basis according to the policy in force of the forecasts of losses for loans classified as "unlikely to pay" and for exposures past due and overrun.

With reference to bad loans, recovery and monitoring activities are carried out by essentially performing the following activities, which also include periodic reviews of the positions:

- revocation, for the new positions, of credit lines and solicitation of debtors to settle their exposures;
- initiation and completion of acts of penalty through the assistance of internal and/or external lawyers towards debtors who have neither responded to solicitations nor submitted debt repayment plans;
- assessment, for positions already in recovery, of compliance with the expected repayment plans;
- determination on a regular basis according to the policy in force of the loss forecasts for loans classified as bad loans.

As far as the return of impaired exposures to performing status is concerned, with therefore also their reallocation among live loans (to default) if non-performing, this is carried out in compliance with current legislation and with the debtor's recovery of full solvency conditions and the regularisation of the risk position and evidence of the restoration of the debtor's economic and financial capacity.

3.1 Management strategies and policies

Non-performing loans include past due and/or overrun loans, unlikely to pay loans (UTP) and bad loans. Its regulatory definition is established by the Bank of Italy "Matrix of Accounts" - Circular no. 272 of 30 July 2008, as updated, in compliance with European legislation. Non-performing loans also include non-performing exposures subject to forbearances that correspond to the "non-performing exposures with forbearance measures" as defined in Annex V of the Executive Regulation of the Commission 680/2014 of 16/04/2014 as amended by the Executive Regulation of the Commission 1627/2018 of 09/10/2018.

The main levers for the management of non-performing loans are as follows:

1. on a preliminary basis, limiting the inflow of new non-performing loans with proactive management at various levels, also combined and/or with escalation (sales network, phone collection, centralised management with ad hoc structure, etc.);
2. have an appropriate and updated set of information relevant for management purposes, with particular relevance of the Loss Given Default, and continue with an adequate historicisation of the information considered strategic and functional to be able to draw up an efficient recovery plan consistent with management strategies of the NPL portfolio in line with the reduction objectives that the Bank has provided for in the NPL Plan approved by the Board of Directors according to the defined time horizon;
3. continuously monitor the performance of the NPL portfolio in terms of effectiveness, efficiency and compliance with the NPL Plan approved by the Board of Directors.

3.2 Write-offs

The Write-off, as defined in Circular no. 262 Credit and Financial Supervision of 22 December 2005 - 5th update, is an event that gives rise to an accounting derecognition when there are no longer reasonable expectations of recovering the financial asset (see IFRS 9, paragraphs 5.4.4, B5.4.9 and B3.2.16 (r)). It may occur before the legal actions taken for the recovery of the financial asset are completed and does not necessarily involve the waiver of the legal right to recover the loan by the bank.

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

- the reversal of total value adjustments, as an offsetting entry to the gross amount of the financial asset, and
- for the part exceeding the total value adjustments, the impairment of the financial asset recognised directly in the income statement.

As part of the analysis of the impaired portfolio, the responsible structure within the credit Institution evaluates, on a pre-defined basis, the credit positions for which it is considered that the prerequisites for write-off as mentioned above exist and are in accordance with the internally defined criteria, in order to submit a suitably motivated proposal for the partial or total derecognition of the receivable to the competent decision-making body.

3.3 Purchased or originated impaired financial assets

The accounting standard IFRS 9 (B 5.4.7) identifies the "Purchased Originated Credit Impaired" positions, known as "POCI", i.e. exposures that are impaired on the date of purchase or on which they originated.

If, upon initial recognition, a credit exposure is recorded under item 30. "Financial assets measured at fair value through other comprehensive income" or 40. "Financial assets measured at amortised cost", is impaired, it is classified as "Purchased or Originated Credit Impaired - POCI".

A financial asset is considered impaired at the time of initial recognition because the credit risk is very high or, in the case of a purchase, it is acquired with large discounts. With reference to financial assets classified as "POCI" at the time of their initial recognition, the effective interest rate must be "adjusted" for impairment losses measured over the expected life of the instrument (Credit-adjusted EIR). The rate thus determined must be applied to the net carrying amount of the financial asset from the moment of its initial recognition. However, this does not mean that an effective interest rate adjusted for the loan should be applied just because the financial asset presents a high credit risk at the time of initial recognition.

At the reporting date, the Bank should recognise only cumulative changes in expected losses over the life of the loan from the time of initial recognition as a provision to cover losses on purchased or originated impaired financial assets.

For purchased or originated impaired financial assets, the expected losses on loans must be discounted using the effective interest rate adjusted for the loan, determined at the time of initial recognition.

Sparkasse identifies as "Purchased or originated impaired financial assets", "POCI", in compliance with IFRS 9 and on the basis of internal methodologies, the following types of financial assets (loans):

- credit exposures already originated with impaired status (stage 3);
- credit exposures originated as a result of restructuring transactions of impaired exposures that resulted in the origination of new loans that are significant, in absolute or relative terms, proportionally to the amount of the original exposure. In this regard, in order to be considered significant, the origination of new loans must amount to more than 10% of the value of the previously outstanding restructured positions. The disbursements of new loans of less than 10% of the restructured positions, but of an amount exceeding Euro 500 thousand, will also be considered as "POCI";
- credit exposures purchased with impaired status.

It should be noted that in the case of the granting of new credit lines, only the new ones will be considered "POCI". If instead the restructured position replaces previous positions and, on the basis of the criteria defined above, a "POCI" financial asset is configured, the entire restructured position will be considered as such.

4. Financial assets subject to commercial renegotiations and exposures subject to forbearances

In the face of the debtor's credit difficulties, the exposures may be subject to changes in the contractual terms in favour of the debtor in order to make the repayment sustainable. Depending on the subjective characteristics of the exposure and the reasons underlying the debtor's credit difficulties, the changes may take effect in the short term (temporary suspension from payment of the principal amount of a loan or extension of a maturity) or in the long term (extension of the duration of a loan, revision of the interest rate) and lead to the classification of the exposure (both performing and impaired) as "forborne". Forborne exposures are subject to specific provisions in terms of classification, as indicated in the ITS EBA 2013-35; if the forbearance measures are applied to performing exposures, these fall within the category of stage 2 exposures. All exposures classified as "forborne" are included in specific monitoring processes by the relevant corporate functions.

Specifically, these functions, through the support of adequate IT procedures, monitor the effectiveness of the measures granted, identifying any improvements or worsening in the customer's financial position after the forbearance. If, at the end of the monitoring period, the position complies with all the criteria envisaged by the relevant legislation, said position is no longer considered among the "forborne" loans; otherwise it continues to remain among the "forborne" exposures.

The commercial network has the right, should it deem it appropriate, to revise the conditions applied to customer exposures even in the absence of financial difficulties, within the scope of the autonomy in force from time to time.

In this case, the exposure does not fall within the category of "forborne" exposures.

As regards how the measures to support the economy put in place by the government and by trade associations, taking into account the indications provided by the Regulatory and Supervisory Authorities, have affected the process of assessing the SICR and measuring the expected losses, please refer to the specific indications provided in the previous specific paragraphs "1. General aspects" and "2.3 Methods for measuring expected losses - Changes due to COVID-19".

SECTION 1 - RISKS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Quantitative disclosure

A. Credit quality

A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trends and economic breakdown

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

Portfolios/quality	Bad loans	Unlikely to pay	Impaired past due exposures	Non-impaired past due exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost	8,693	74,906	384	8,075	9,782,962	9,875,020
2. Financial assets measured at fair value through other comprehensive income					340,246	340,246
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value					118,915	118,915
5. Financial assets held for sale						
Total 31.12.2021	**8,693**	**74,906**	**384**	**8,075**	**10,242,123**	**10,334,181**
Total 31.12.2020	**16,543**	**92,659**	**1,461**	**16,030**	**9,209,332**	**9,336,025**

Pursuant to the instructions provided by the Bank of Italy for the preparation of the financial statements, for the purposes of the quantitative disclosure on credit quality shown in this and in the following tables, it should be noted that:

- the term "credit exposures" excludes equity securities and UCITS units
- the term "exposures" includes equity securities and UCITS units.

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net amounts)

Portfolios/quality	Impaired				Non-impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs (*)	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	257,162	173,179	83,983	63,312	9,818,823	27,786	9,791,037	9,874,001
2. Financial assets measured at fair value through other comprehensive income					340,318	72	340,246	340,246
3. Financial assets designated at fair value					X	X		
4. Other financial assets mandatorily measured at fair value					X	X	118,915	118,916
5. Financial assets held for sale								
Total 31.12.2021	**257,162**	**173,179**	**83,983**	**63,312**	**10,159,141**	**27,858**	**10,250,198**	**10,334,181**
Total 31.12.2020	**341,717**	**231,054**	**110,663**	**58,503**	**9,156,693**	**29,888**	**9,225,362**	**9,336,025**

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net amounts)

Portfolios/quality	Assets of obvious poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading			32,583
2. Hedging derivatives			5,588
Total 31.12.2021			**38,171**
Total 31.12.2020			**29,474**

SECTION 2 - RISKS OF PRUDENTIAL CONSOLIDATION

A.1.1 Prudential consolidation - Breakdown of financial assets by past due brackets (carrying amounts)

	First stage			Second stage			Third stage		
	Up to 30 days	For over 30 days up to 90 days	Over 90 days	Up to 30 days	For over 30 days up to 90 days	Over 90 days	Up to 30 days	For over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	4,377			2,202	1,335	161	1,715	2,123	12,373
2. Financial assets measured at fair value through other comprehensive income									
3. Financial assets held for sale									
Total 31.12.2021	**4,377**			**2,202**	**1,335**	**161**	**1,715**	**2,123**	**12,373**
Total 31.12.2020	**6,201**			**7,566**	**1,759**	**504**	**991**	**445**	**31,063**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: trend in total value adjustments and total allocations (1 out of 2)

	Total value adjustments																						
	Assets included in the first stage						Assets included in the second stage						Assets included in the third stage						Purchased or originated impaired financial assets				
	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Opening balance		(9,392)	(16)			(9,408)		(20,378)				(20,378)		(226,875)		(354)	(226,713)	(162)	(3,829)			(3,825)	(4)
Increases from purchased or originated financial assets																							
Derecognitions other than write-offs		1,333	16			1,349		1,219				1,219		47,854		354	47,807	47	281			281	
Net value adjustments/write-backs for credit risk (+/-)		848	(72)			776		(1,834)				(1,834)		(31,051)			(31,170)	(78)	(165)			(158)	(7)
Contractual amendments without cancellations																							
Changes in the estimation methodology																							
Write-offs														41,214			41,214		7			7	
Other changes		277				277		154				154		(431)			(528)	97				2	(2)
Closing balance		(6,934)	(72)			(7,006)		(20,839)				(20,839)		(169,289)			(169,390)	(96)	(3,706)			(3,693)	(13)
Recoveries from collections on financial assets subject to write-offs																							
Write-offs recognised directly in the income statement														147		5	152						

A.1.2 Financial assets, commitments to disburse funds and financial guarantees issued: trend in total value adjustments and total allocations (continued 2 of 2)

	Total allocations on commitments to disburse funds and financial guarantees issued				Total
	First stage	Second stage	Third stage	Commitments to disburse funds and fin. guarantees Issued purchased and/or originated impaired	
Opening balance	(960)	(1,591)	(8,022)		(271,417)
Increases from purchased or originated financial assets					
Derecognitions other than write-offs	194	580	1,959		53,790
Net value adjustments/write-backs for credit risk (+/-)	272	497	(1,552)		(33,057)
Contractual amendments without cancellations					
Changes in the estimation methodology					
Write-offs					41,221
Other changes	(16)	17	(1)		
Closing balance	(510)	(497)	(7,616)		(209,463)
Recoveries from collections on financial assets subject to write-offs					
Write-offs recognised directly in the income statement					152

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 amounts)

	Gross amounts/nominal amount					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	443,218	445,901	22,923	11,404	18,461	599
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	86,952	115,384	714	136	4,065	158
Total 31.12.2021	530,170	561,285	23,637	11,540	22,526	757
Total 31.12.2020	691,639	233,684	11,945	2,735	21,642	1,970

A.1.3a Loans subject to COVID-19 support measures: transfers between the different stages of credit risk (gross amounts)

Portfolios/risk stages	Gross amounts					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. Loans measured at amortised cost	**126,703**	**40,012**	**13,029**	**3,841**	**8,619**	**7**
A.1 subject to forbearances compliant with GL	8,672	5,898	225		1,263	
A.2 subject to moratorium measures in place no longer compliant with GL and not assessed as subject to forbearances						
A.3 subject to other forbearance measures	75,297		10,696	3,841	2,075	
A.4 new loans	42,734	34,114	2,108		5,281	7
B. Loans measured at fair value through other comprehensive income						
B.1 subject to forbearances compliant with GL						
B.2 subject to moratorium measures in place no longer compliant with GL and not assessed as subject to forbearances						
B.3 subject to other forbearance measures						
B.4 new loans						
Total 31.12.2021	126,703	40,012	13,029	3,841	8,619	7
Total 31.12.2020	237,846	65,792	4,964	1,289	8,574	25

A.1.4 Prudential consolidation - On- and off-balance sheet credit exposures to banks: gross and net amounts

Types of exposures/values	Gross exposure					Total value adjustments and total allocations				
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired
A. ON-BALANCE SHEET CREDIT EXPOSURES										
A. 1 On demand	**72,294**	**72,294**				**116**	**116**			
a) Impaired		X					X			
b) Non-impaired	72,294	72,294		X		116	116		X	
A.2 Other	**559,340**	**539,380**				**73**	**73**			
a) Bad loans		X					X			
- of which: forborne exposures		X					X			
b) Unlikely to pay		X					X			
- of which: forborne exposures		X					X			
c) Impaired past due exposures		X					X			
- of which: forborne exposures		X					X			
d) Non-impaired past due exposures				X					X	
- of which: forborne exposures				X					X	
e) Other non-impaired exposures	559,340	539,380		X		73	73		X	
- of which: forborne exposures				X					X	
TOTAL A	**631,634**	**611,674**				**189**	**189**			
B. OFF-BALANCE SHEET CREDIT EXPOSURES										
a) Impaired		X					X			
b) Non-impaired	8,401	2,412				1	1		X	
TOTAL B	**8,401**	**2,412**				**1**	**1**			
TOTAL A+B	**640,035**	**614,086**				**190**	**190**			

A.1.5 Prudential consolidation - On- and off-balance sheet credit exposures to customers: gross and net amounts

Types of exposures/values	Gross exposure					Total value adjustments and total allocations					Net exposure	Total partial Write-off *
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	62,158	X		62,037	121	53,465	X		53,383	82	8,693	63,312
- of which: forborne exposures	14,804	X		14,690	114	11,410	X		11,333	77	3,394	3,566
b) Unlikely to pay	194,524	X		189,484	5,040	119,618	X		116,007	3,611	74,906	
- of which: forborne exposures	150,363	X		145,453	4,910	98,820	X		95,339	3,481	51,543	
c) Impaired past due exposures	480	X		480		96	X		96		384	
- of which: forborne exposures	23	X		23		5	X		5		18	
d) Non-impaired past due exposures	8,260	4,410	3,850			185	33	152	X		8,075	
- of which: forborne exposures	557		557			25		25	X		532	
e) Other non-impaired exposures	9,741,977	8,806,047	805,404		150	27,600	6,900	20,687	X	13	9,714,377	
- of which: forborne exposures	213,137		213,103		34	6,405		6,403	X	2	206,732	
TOTAL A	**10,007,399**	**8,810,457**	**809,254**	**252,001**	**5,311**	**200,964**	**6,933**	**20,839**	**169,486**	**3,706**	**9,806,435**	**63,312**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	25,731	X		25,731		7,616	X		7,616		18,115	
b) Non-impaired	2,965,089	2,860,475	103,953			1,007	509	498	X		2,964,082	
TOTAL B	**2,990,820**	**2,860,475**	**103,953**	**25,731**		**8,623**	**509**	**498**	**7,616**		**2,982,197**	
TOTAL A+B	**12,998,219**	**11,670,932**	**913,207**	**277,732**	**5,311**	**209,587**	**7,442**	**21,337**	**177,102**	**3,706**	**12,788,632**	**63,312**

(*) only as information value

The hedging ratios of on-balance sheet loans to customers are therefore as follows:

	31.12.2021	31.12.2020
Loans classified as bad loans	86.0%	86.2%
Loans classified as unlikely to pay	61.7%	59.3%
Non-performing loans	67.5%	67.8%
Performing loans	0.4%	0.5%

A.1.5a Loans subject to COVID-19 support measures: gross and net amounts

Types of exposures/values	Gross exposure					Total value adjustments and total allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. Bad loans:												
a) Subject to forbearances compliant with GL												
b) Subject to moratorium measures no longer compliant with GL and not assessed as subject to forbearances												
c) Subject to other forbearance measures												
d) New loans												
B. Unlikely to pay:	**55,631**			**55,631**		**27,915**			**27,915**		**27,716**	
a) Subject to forbearances compliant with GL	3,617			3,617		2,230			2,230		1,387	
b) Subject to moratorium measures no longer compliant with GL and not assessed as subject to forbearances												
c) Subject to other forbearance measures	43,795			43,795		24,327			24,327		19,468	
d) New loans	8,219			8,219		1,358			1,358		6,861	
C. Non-performing past due loans:												
a) Subject to forbearances compliant with GL												
b) Subject to moratorium measures no longer compliant with GL and not assessed as subject to forbearances												
c) Subject to other forbearance measures												
d) New loans												
D. Other performing past due loans:	**1,267**	**30**	**1,237**			**17**		**17**			**1,250**	
a) Subject to forbearances compliant with GL												
b) Subject to moratorium measures no longer compliant with GL and not assessed as subject to forbearances												
c) Subject to other forbearance measures	397		397			15		15			382	
d) New loans	870	30	840			2		2			868	
E. Other performing loans:	**828,279**	**592,050**	**236,229**			**5,518**	**374**	**5,144**			**822,761**	
a) Subject to forbearances compliant with GL	127,417	103,371	24,046			465	70	395			126,952	
b) Subject to moratorium measures no longer compliant with GL and not assessed as subject to forbearances												
c) Subject to other forbearance measures	130,511		130,511			4,457		4,457			126,054	
d) New loans	570,351	488,679	81,672			596	304	292			569,755	
TOTAL (A+B+C+D+E)	**885,177**	**592,080**	**237,466**	**55,631**		**33,450**	**374**	**5,161**	**27,915**		**851,727**	

A.1.6 Prudential consolidation - On-balance sheet credit exposures to banks: trend in gross impaired exposures

This table is not shown as there are no on-balance sheet credit exposures to banks.

A.1.6 bis Prudential consolidation - On-balance sheet credit exposures to banks: trend in gross forborne exposures broken down by credit quality

This table is not shown as there are no on-balance sheet credit exposures to banks.

A.1.7 Prudential consolidation - On-balance sheet credit exposures to customers: changes in gross impaired exposures

Reasons/Categories	Bad loans	Unlikely to pay	Impaired past due exposures
A. Opening gross exposure	**112,805**	**227,288**	**1,623**
- of which: exposures sold but not derecognised		663	
B. Increases	**9,320**	**61,984**	**431**
B.1 inflows from non-impaired exposures	1,070	33,650	321
B.2 inflows from purchased or originated impaired financial assets			
B.3 transfers from other categories of impaired exposures	6,631	1,925	
B.4 contractual amendments without cancellations			
B.5 other increases	1,619	26,409	110
C. Decreases	**59,967**	**94,749**	**1,574**
C.1 outflows to non-impaired exposures		12,012	20
C.2 write-offs	36,304	5,064	
C.3 collections	15,236	54,920	536
C.4 gains on disposals	2,454	14,043	
C.5 losses on disposal			
C.6 transfers to other categories of impaired exposures	1,001	6,537	1,018
C.7 contractual amendments without cancellations			
C.8 other decreases	4,972	2,173	
D. Closing gross exposure	**62,158**	**194,523**	**480**
- of which: exposures sold but not derecognised		675	

A.1.7 bis Prudential consolidation - On-balance sheet credit exposures to customers: trend in gross forborne exposures broken down by credit quality

Reasons/Quality	Forborne exposures: impaired	Forborne exposures: non-impaired
A. Opening gross exposure	**197,545**	**86,350**
- of which: exposures sold but not derecognised	359	1,578
B. Increases	**45,129**	**155,296**
B.1 inflows from non-impaired non-forborne exposures	7,190	111,721
B.2 inflows from non-impaired forborne exposures	10,287	X
B.3 inflows from impaired forborne exposures	X	10,516
B.4 inflows from impaired non-forborne exposures	13,052	794
B.5 other increases	14,600	32,265
C. Decreases	**77,485**	**27,952**
C.1 outflows to non-impaired non-forborne exposures	X	5,857
C.2 outflows to non-impaired forborne exposures	10,516	X
C.3 outflows to impaired forborne exposures	X	10,287
C.4 write-offs	4,815	
C.5 collections	45,112	11,733
C.6 gains on disposals	14,166	
C.7 losses on disposals		
C.8 other decreases	2,876	75
D. Closing gross exposure	**165,189**	**213,694**
- of which: exposures sold but not derecognised	391	3,812

A.1.8 Prudential consolidation - Impaired on-balance sheet credit exposures to banks: trend in total value adjustments

This table is not shown as there are no impaired on-balance sheet credit exposures to banks.

A.1.9 Prudential consolidation - Impaired on-balance sheet credit exposures to customers: trend in total value adjustments

Reasons/Categories	Bad loans		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	**96,262**	**15,508**	**134,629**	**112,513**	**162**	**128**
- of which: exposures sold but not derecognised			162	95		
B. Increases	**11,770**	**3,473**	**45,783**	**32,885**	**89**	**1**
B.1 value adjustments from purchased or originated impaired financial assets		X		X		X
B.2 other value adjustments	8,105	2,826	44,320	32,131	83	1
B.3 losses on disposal	6					
B.4 transfers from other categories of impaired exposures	3,649	647	661	196		
B.5 contractual amendments without cancellations						
B.6 other increases	10		802	558	6	
C. Decreases	**54,567**	**7,571**	**60,794**	**46,578**	**155**	**124**
C.1. write-backs from measurement	598	172	9,550	8,469	5	
C.2 write-backs from collection	9,202	3,489	22,276	16,092	47	37
C.3 gains on disposal	1,274	126	8,517	8,517		
C.4 write-offs	36,304	3,615	5,064	1,200		
C.5 transfers to other categories of impaired exposures	569	110	3,639	647	102	86
C.6 contractual amendments without cancellations						
C.7 other decreases	6,620	59	11,748	11,653	1	1
D. Total closing adjustments	**53,465**	**11,410**	**119,618**	**98,820**	**96**	**5**
- of which: exposures sold but not derecognised			290	235		

A.3.1 Prudential consolidation - Secured on- and off-balance sheet credit exposures to banks

This table was not completed as there were no secured on- and off-balance sheet credit exposures to banks at 31 December 2021.

A.3.2 Prudential consolidation - Secured on- and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement loans				
								Other derivatives								
			Properties - mortgages	Properties - loans for leases	Securities	Other collateral	Collective Bargain Agreements	Central counterparties	Banks	Other financial companies	Other parties	Public administrations	Banks	Other financial companies	Other parties	
1. Secured on-balance sheet credit exposures:	**5,272,616**	**5,100,292**	**3,281,742**		**12,055**	**273,508**						**795,498**	**19,907**	**11,490**	**484,998**	**4,879,198**
1.1 fully secured	4,532,274	4,367,465	3,268,763		12,015	266,018						374,196	4,565	7,794	421,652	**4,355,003**
- of which impaired	218,428	75,357	62,065		6	1,694						7,420	60	323	3,794	**75,362**
1.2 partially secured	740,342	732,827	12,979		40	7,490						421,302	15,342	3,696	63,346	**524,195**
- of which impaired	9,807	3,601	177									1,485	252	298	440	**2,652**
2. Secured off-balance sheet credit exposures:	**700,233**	**695,927**	**31,677**		**2,233**	**38,954**						**10,623**	**661**	**13,774**	**527,665**	**625,587**
2.1 fully secured	532,391	528,412	30,810		2,154	35,239						5,599	328	8,339	445,756	**528,225**
- of which impaired	9,990	6,370	2,653									10		259	3,447	**6,369**
2.2 partially secured	167,842	167,515	867		79	3,715						5,024	333	5,435	81,909	**97,362**
- of which impaired	1,754	1,557				1								323	771	**1,095**

A.4 Prudential consolidation - Financial and non-financial assets obtained through the enforcement of guarantees received

This table is not filled in as there are no financial and non-financial assets obtained through the enforcement of guarantees received.

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - Breakdown of on- and off-balance sheet exposures to customers by sector

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures										
A.1 Bad loans							5,405	45,358	3,288	8,107
- of which: forborne exposures							1,934	7,902	1,460	3,508
A.2 Unlikely to pay			656	1,024			53,426	101,534	20,823	17,060
- of which: forborne exposures				827			35,818	83,196	15,724	14,797
A.3 Impaired past due exposures							12	3	372	93
- of which: forborne exposures									18	5
A.4 Non-impaired exposures	3,256,948	1,335	300,811	1,926	94,961		3,648,828	13,035	2,515,866	11,488
- of which: forborne exposures			407	24			140,553	2,632	66,304	3,774
Total A	**3,256,948**	**1,335**	**301,467**	**2,950**	**94,961**		**3,707,671**	**159,930**	**2,540,349**	**36,748**
B. Off-balance sheet credit exposures										
B.1 Impaired exposures							17,865	7,331	251	285
B.2 Non-impaired exposures	282,886	6	91,806	18	384		2,365,382	901	224,008	82
Total B	**282,886**	**6**	**91,806**	**18**	**384**		**2,383,247**	**8,232**	**224,259**	**367**
Total (A+B) 31.12.2021	**3,539,834**	**1,341**	**393,273**	**2,968**	**95,345**		**6,090,918**	**168,162**	**2,764,608**	**37,115**
Total (A+B) 31.12.2020	**2,700,843**	**1,303**	**509,208**	**14,843**	**91,736**		**5,799,964**	**219,317**	**2,664,752**	**35,865**

B.2 Geographic breakdown of on- and off-balance sheet credit exposures to customers

Operations mainly abroad

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures										
A.1 Bad loans	8,479	53,152	214	313						
A.2 Unlikely to pay	73,239	117,772	1,541	1,544			125	302		
A.3 Impaired past due exposures	383	96	1							
A.4 Non-impaired exposures	9,666,488	27,596	55,046	188	587		180		152	
Total A	**9,748,589**	**198,616**	**56,802**	**2,045**	**587**		**305**	**302**	**152**	
B. Off-balance sheet credit exposures										
B.1 Impaired exposures	18,077	7,616	39							
B.2 Non-impaired exposures	2,956,861	1,005	7,216	2	1		4			
Total B	**2,974,938**	**8,621**	**7,255**	**2**	**1**		**4**			
Total (A+B) 31.12.2021	**12,723,527**	**207,237**	**64,057**	**2,047**	**588**		**309**	**302**	**152**	
Total (A+B) 31.12.2020	**11,602,837**	**269,668**	**68,323**	**1,633**	**631**	**1**	**818**	**24**	**2,158**	**2**

B.2 Geographic breakdown of on- and off-balance sheet credit exposures to customers

Operations mainly in Italy

Exposures/Geographic areas	Northwest Italy		North East Italy		Central Italy		Southern Italy and islands	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures								
A.1 Bad loans	1,265	11,834	7,087	41,129	3	87	124	102
A.2 Unlikely to pay	2,652	8,987	66,621	103,800	77	74	3,234	4,714
A.3 Impaired past due exposures	14	4	360	90			9	2
A.4 Non-impaired exposures	488,200	2,826	5,859,691	23,774	3,263,386	861	54,989	135
Total A	**492,131**	**23,651**	**5,933,759**	**168,793**	**3,263,466**	**1,022**	**58,356**	**4,953**
B. Off-balance sheet credit exposures								
B.1 Impaired exposures	16	22	18,029	7,590	21	4	11	
B.2 Non-impaired exposures	217,484	71	2,678,241	917	52,174	4	8,962	13
Total B	**217,500**	**93**	**2,696,270**	**8,507**	**52,195**	**8**	**8,973**	**13**
Total (A+B) 31.12.2021	**709,631**	**23,744**	**8,630,029**	**177,300**	**3,315,661**	**1,030**	**67,329**	**4,966**
Total (A+B) 31.12.2020	**621,178**	**24,941**	**8,225,446**	**238,085**	**2,689,081**	**1,859**	**75,763**	**4,783**

B.3 Prudential consolidation - Geographic breakdown of on- and off-balance sheet credit exposures to banks

Operations mainly abroad

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures										
A.1 Bad loans										
A.2 Unlikely to pay										
A.3 Impaired past due exposures										
A.4 Non-impaired exposures	603,174	167	18,921	7	9,146	15	190		14	
Total A	**603,174**	**167**	**18,921**	**7**	**9,146**	**15**	**190**		**14**	
B. Off-balance sheet credit exposures										
B.1 Impaired exposures										
B.2 Non-impaired exposures	826		7,143		257				174	
Total B	**826**		**7,143**		**257**				**174**	
Total (A+B) 31.12.2021	**604,000**	**167**	**26,064**	**7**	**9,403**	**15**	**190**		**188**	
Total (A+B) 31.12.2020	**535,991**	**136**	**51,671**	**31**	**10,177**	**16**	**3,892**	**3**	**232**	

B.3 Geographic breakdown of on- and off-balance sheet credit exposures to banks

Operations mainly in Italy

Exposures/Geographic areas	Northwest Italy		North East Italy		Central Italy		Southern Italy and islands	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures								
A.1 Bad loans								
A.2 Unlikely to pay								
A.3 Impaired past due exposures								
A.4 Non-impaired exposures	172,142	154	16,090	13	414,942			
Total A	**172,142**	**154**	**16,090**	**13**	**414,942**			
B. Off-balance sheet credit exposures								
B.1 Impaired exposures								
B.2 Non-impaired exposures	251		575					
Total B	**251**		**575**					
Total (A+B) 31.12.2021	**172,393**	**154**	**16,665**	**13**	**414,942**			
Total (A+B) 31.12.2020	**143,784**	**121**	**12,376**	**11**	**379,831**	**4**		

B.4 Large exposures

At the end of the year, there are positions that constitute "Large exposures" according to the regulations in force since 1 January 2014 for:

(in thousands of Euro)

	Number of exposures	31.12.2021	
		Carrying amount	Weighted amount
Large exposures	7	5,114,171	460,310

As indicated in Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates, the matter "Large exposures" is governed:

- by the CRR, in particular by Part Four and by Art. 493;
- by the European Commission regulations containing the regulatory technical standards;
- by CRD IV;
- by Articles 53 and 67 of the Consolidated Banking Act.

On the basis of the provisions, the table shows the number, the carrying amount and the weighted amount of the positions defined as "Large exposures", i.e. with exposure of an amount equal to or greater than 10% of the "eligible capital" at consolidated level; at 31 December 2021, the amount of eligible capital coincides with that of Own Funds.

The recognition criterion provides that for the definition of "Large exposure" reference must be made to the concept of "unweighted exposure", as opposed to the previous legislation that referred to "weighted exposure".

The positions subject to reporting are all attributable to customer/banks or groups of customers/banks with proven reliability and to the Public Administration entities.

"Large exposures" must in any case comply with the limit of 25% of the eligible capital.

C. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

QUALITATIVE INFORMATION

Pursuant to the regulations governing the preparation of the Financial Statements, it should be noted that securitisation transactions in which the originator is a bank belonging to the same banking group, and all the liabilities issued by the special purpose entity are subscribed at the time of issue by one or more companies belonging to the same banking group (so-called self-securitisations) are not included in this section.

The securitisations of performing loans carried out by the Bank are attributable to this type of transaction.

For details on these transactions, please refer to Section 3 "Liquidity risk" below.

This section, on the *other hand, includes securitisation transactions, i.e., those in which, in exchange for the sale of receivables, the conditions for the transfer of risk and the consequent* derecognition of the financial assets from the Group's financial statements are met, with the simultaneous recognition as assets of the Senior and Junior Notes issued by the securitisation special purpose entity.

These assets include the loans sold in the "Buonconsiglio 2" transaction in which a pool of banks have sold their non-performing loans to a securitisation special purpose entity named "Nepal". This is therefore a multi-originator sale of credit portfolios.

The Parent Bank participated in a multi-originator securitisation transaction called "Buonconsiglio 2" in which 22 banks took part, for a total value of non-performing loans sold of Euro 734 million.

The following parties were involved in the transaction:

- Banca IMI, as arranger;
- Cassa Centrale Banca (CCRES), as coordinator;
- Studio Legale Orrick, Herrington & Sutcliffe as legal advisor;
- NEPAL SRL as the special purpose entity that purchased the receivables;
- Guber Banca Spa as servicer.

With regard to the Sparkasse share, the Parent Bank securitised 176 bad loans for a total of 272 positions for a total exposure of Euro 74.6 million, of which around Euro 1.8 million of lines already transferred to loss.

The transaction mainly concerned secured loans, amounting to 86.4% at Group level, and unsecured loans of 13.6%.

The majority of the securitised portfolio, equal to approximately 90.2%, is concentrated outside the province of Bolzano, the remainder is located in Alto Adige (9.8%). With regard to the main sectors of economic activities of the transferred debtors, almost half are active in Services and Construction, 24.4% are in Construction, 6.3% are in the Construction of machines and vehicles and 6.1% are private loans, while 4.8% are retail and commercial intermediaries. Other types of economic activities remain for approximately 8.7% of the portfolio sold.

The credit lines sold are composed of mortgages for 73.6%, current accounts for 25.4% and the remainder consists of other types of credit facilities.

The transaction established that, of the sale price of 27.09%, 70% is used for the subscription of Senior notes and 1.5% of Junior notes (retention rule).

The investors who have acquired the main shares of Junior securities are:

- Värde Partners (64.7%);
- Barclays Bank (23.8%);
- Guber Banca Spa (6.5%).

The extraordinary sale transaction presented itself as an important opportunity for:

- accelerating the process of reducing the stock of non-performing loans, allowing the NPL Ratio to be lowered by around 1.5%;

- reducing bad loans without significantly impacting the average coverage of the non-performing portfolio, thus without having significant effects on income statement costs;
- making the structures dedicated to the recovery of non-performing loans more efficient.

At 31 October 2018, i.e. at the cut-off date, the securitised portfolio had value adjustments of Euro 53.2 million against losses generated by the transaction of Euro 54.4 million, therefore involving a total cost of only Euro 1.2 million.

The securitisation transaction as described above was approved by the Bank's Board of Directors on 29 January 2019, and is still in the portfolio at the end of the year at 31 December 2021.

C. Securitisation transactions

C.1. Prudential consolidation - Exposures deriving from the main "own" securitisation transactions broken down by type of securitised asset and type of exposure

Type of securitised assets / Exposures	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs
A. Subject to full derecognition from the financial statements	**9,435**	**(160)**																
A.1 Buonconsiglio 2	9,435	(160)																
- non-performing loans	9,435	(160)																
- bad loans	9,435	(160)																
A.2 securitisation name 2																		
- type of asset																		
A.3 securitisation name																		
- type of asset																		
B. Subject to partial derecognition from the financial statements																		
B.1 securitisation name 1																		
- type of asset																		
B.2 securitisation name 2																		
- type of asset																		
B.3 securitisation name																		
- type of asset																		
C. Not derecognised from the financial statements																		
C.1 securitisation name 1																		
- type of asset																		
C.2 securitisation name 2																		
- type of asset																		
C.3 securitisation name																		
- type of asset																		

D. Disposal transactions

A. Financial assets sold and not fully cancelled

Quantitative and quantitative information

D.1 Prudential consolidation - Financial assets sold fully recognised and associated financial liabilities: carrying amount

	Financial assets sold fully recognised				Associated financial liabilities		
	Carrying amount	of which: subject to securitisation	of which: subject to repurchase agreements	of which impaired	Carrying amount	of which: subject to securitisation	of which: subject to repurchase agreements
A. Financial assets held for trading				X			
1. Debt securities				X			
2. Equity securities				X			
3. Loans				X			
4. Derivatives				X			
B. Other financial assets mandatorily measured at fair value							
1. Debt securities							
2. Equity securities				X			
3. Loans							
C. Financial assets designated at fair value							
1. Debt securities							
2. Loans							
D. Financial assets measured at fair value through other comprehensive income							
1. Debt securities							
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost							
1. Debt securities							
2. Loans	150,316	150,316		385	141,648	141,648	
Total 31.12.2021	150,316	150,316		385	141,648	141,648	
Total 31.12.2020	324,081	200,747	123,334	502	322,402	194,208	128,194

E. Prudential consolidation - Models for the measurement of credit risk

The Group does not use internal portfolio models to measure credit risk exposure.

However, it should be noted that the Parent Bank has introduced the AIRB parameters for the calculation of expected credit losses on performing loans starting from 31 December 2019.

1.2 Banking Group - Market risks

1.2.1 Interest rate risk and price risk - Regulatory trading book

QUALITATIVE INFORMATION

A. General aspects

A.1 Sources of interest rate risk and price risk

The interest rate risk of the regulatory trading book is the risk of incurring losses caused by adverse changes in the price of financial instruments due to factors related to market interest rates (risk factor concerning the current value of these instruments).

Interest rate risk is generated mainly by debt securities and interest rate derivatives classified in the trading book.

Price risk is the risk of incurring losses caused by adverse changes in market prices. This risk is mainly generated by positions in UCITS units and by equity instruments (such as shares, futures on equity indices and/or shares, options on shares and/or equity indices, warrants, covered warrants, etc.).

Impacts deriving from the COVID-19 pandemic

Compared to 2020, 2021 was at first glance a decidedly more favourable year, thanks to extensive reopening due to effective vaccination campaigns and the continuation of massive monetary and fiscal stimuli globally. There was therefore a significant improvement in the situation on the financial markets in the early months, with low volatility which allowed the VaR indicator to remain well below the defined alert and risk tolerance thresholds. Only towards the last quarter, problems related to supply chains, the production of some goods, the increase in the price of raw materials and inflation which has returned to the highest levels since the 1990s have slightly increased the VaR indicator, in compliance however with the defined thresholds.

A.2 Objectives and strategies underlying trading activities

The "regulatory trading book" consists of financial instruments that are intentionally allocated to subsequent short-term disposals or taken on in order to benefit, in the short term, from differences between purchase and sale prices or other changes in the price or interest rates or held to hedge the risks arising from other financial instruments held for trading.

To this end, the aforementioned financial instruments, which must also be exempt from any clause that limits their negotiability or, alternatively, which must be able to be hedged, are subject to explicit trading strategies that clearly express the intent of trading of the Group.

The Group's trading book mainly includes the following financial instruments:

- Government bonds, bank bonds, corporate bonds intended for trading with customers and only for repurchase agreements;
- managed products, ETFs;
- derivative transactions.

With specific reference to interest rate risk, the investments made by the Group are aimed at containing this risk by favouring short-term instruments.

B. Management processes and measurement methods for interest rate risk and price risk

B.1 Organisational aspects

The market risk management and measurement process in a broad sense, which includes both interest rate and price risks, is shown below. The market risk management process of the trading book is regulated in stages, with the aim of identifying the criteria for the management of risk profiles, the activities to be carried out for the correct application of the criteria, the units responsible for carrying out the performance of the aforementioned activities and the procedures supporting them. The articulation by phases and the attribution of activities to the various organisational structures are carried out having as objective the functionality of the process, i.e. its suitability to achieve the set objectives (effectiveness) and the ability to achieve them at a reasonable cost (efficiency).

The phases of the process are shown below.

Investment policy

The objective of the investment policy is the implementation of short and long-term strategic guidelines, in order to quantify the resources to be allocated in the financial investments segment of the trading book. The quantification of the resources to be allocated to the segment is carried out taking into account the overall market risks (interest, share price, exchange rate) and is determined on the basis of the results of the analyses carried out on the forecasts regarding the trend of the main macro-economic variables, the main reference markets, national and international monetary policies, the characteristics of the company's financial structure, the performance adjusted for the risk of the investments made and to be made, the public restrictions and the Supervisory regulations.

Information from internal and external sources is systematically acquired by the Finance and Treasury Department and forwarded to the Risk Management Service and to the Risk Monitoring Committee.

The Risk Monitoring Committee measures market risk and determines the resources to be allocated to investment activities in financial instruments at the level of the overall portfolio owned by the Group and at the level of individual portfolio or segment. The measurement in question takes place on the basis of the calculations and forecasts made by the Risk Monitoring Committee itself with the help of information processed by the Services that make up the Committee. Therefore, the Finance and Treasury Department, through the units or desks that make it up, defines, with reference to the aforementioned information, the forecasts in terms of profitability of the financial instruments (products) handled and in terms of attractiveness of the reference markets, and it determines the attractiveness of the various product/market combinations.

Assumption of market risk

The assumption of market risk is aimed at investing the resources allocated in the financial investments segment and in particular in the securities segment. The assumption of the risk is carried out in compliance with the general criteria of cost-effectiveness and profitability of the investment but above all in compliance with the powers resolved on by the Board of Directors in terms of maximum tolerable loss in the year and cumulative loss for the period (stop-loss).

The activities carried out for the assumption of market risk concern the following aspects:

1. the valuation of the investment to be made with reference to:
   - the liquidity of the investment;
   - the return offered by a security;
   - the degree of risk associated with the investment.

2. the assumption of risk with reference to the operating powers assigned in terms of limits with regard to:
   - the overall generic or position risk of the individual portfolios and of the portfolios as a whole;
   - the generic risk of the individual components of the portfolios;
   - the total cumulative loss for each portfolio segment;
   - the nominal amount of the securities by segment of operation;
   - the specific risk for debt securities of non-qualified parties;
   - the counterparty risk;
   - the settlement risk;
   - the concentration risk.

With reference to the structure of the delegations on market risk, the assumption of the latter is delegated:

- in cases of urgency, to the Chairman of the Board of Directors who may decide without limits on the amount or risk, on the proposal submitted by the Risk Monitoring Committee, which in any case presents to the aforementioned Body the potential risk of the investments to be acquired;
- on an ongoing basis, to the Chief Executive Officer - General Manager, and to the Finance and Treasury Department.

Market risk measurement

For the purposes of quantifying the mandatory capital requirements, the Group measures market risks according to the standardised methodology envisaged by the supervisory provisions.

For operational purposes, the measurement of market risk relates to the construction of a measure, whether overall on the entire trading portfolio and/or on the investment segment (bond, equity, currency, etc.), indicative of the risk deriving from investment activity in financial instruments (so-called "VaR models").

The information supporting the measurement of market risk concerns:

1. the market value (of the prices) of the positions taken by the units responsible for carrying out the investment activity (market value means the official trading price at which a financial instrument is listed);
2. the sensitivity of the market value of the aforementioned positions to changes in the reference risk factor (sensitivity means the percentage change in the market value as the risk factor changes);
3. the volatility of the risk factor relevant to the individual positions (i.e. the change in the risk factor);
4. the protection interval (of confidence) desired by the Group indicative of its risk aversion;
5. the reference time horizon over which the plan is to carry out the estimate of the risk connected with the cited positions, indicative of the holding period of said financial instrument;
6. the correlations between market/risk factors of the same type (interest rates for different maturities or exchange rates for different currencies) and the correlations between risk factors of different types (interest rate risk, exchange rate risk, equity risk).

The measurement of market risk, in compliance with the above criteria and with reference to the information listed above, is carried out:

1. on an ongoing basis by the Finance and Treasury Department to verify compliance with the limits assigned to it;
2. by the Risk Management Service that verifies on a daily basis compliance with the limits according to the information provided thereby. In addition, the Risk Management Service, in collaboration with the Finance and Treasury Department, updates the measurement of market risk for new products or for changes in existing ones;
3. periodically, by the Financial Statements, Taxes and Management Control Department that assesses the adequacy of capital allocation in relation to the securities segment as well as the return on said capital and thus the achievement of the set out objectives in both operational and profit terms.

The Risk Management Service, after acquiring and processing the information and data necessary for the measurement of market risk:

1. determines the VaR related to the individual positions that make up the portfolio owned by the Group;
2. determines the VaR related to the individual segments (equity, bond, currency, etc.) in which the Group carries out investment activities;
3. determines the VaR related to the individual portfolios/sub-portfolios into which the owned portfolio is divided;
4. determines the VaR related to the overall portfolio owned by the Group;
5. on the basis of the above, it informs the Finance and Treasury Department, the Financial Statements, Tax and Management Control Department;
6. forwards the information referred to in the previous points to the Corporate bodies involved in the financial process (General Management, Risk Monitoring Committee, Board of Directors, etc.).

Market risk control

The objective pursued by the market risk control activities concerns:

- verification of compliance with the limits of operations carried out on securities in terms of maximum potential loss over a reference time horizon and in terms of cumulative loss (stop-loss) for the period;
- communication and transmission of information relating to the risk that the Parent Bank is facing;

- timely communication to the competent Corporate bodies of the exceeding of the limits.

The task of controlling the market risk in terms of compliance with the limits defined for the owned portfolio and for the portfolios and/or segments (maximum tolerable loss in the period in question - VaR limit, cumulative loss for the period and allocated capital limit) is delegated to:

- the Finance and Treasury Department as regards the overall limits within which the Service may assume market risks, considering the risks assumed by the individual units belonging to the Service;
- the Risk Management Service, which also produces the reports for the Corporate bodies and functions involved in the market risk control process.

B.2 Methodological aspects

At management level, the Group uses a VaR model as the main instrument for daily measurement and control of the exposure to market risks of the trading book.

The VaR is a statistical measure that estimates the potential losses caused by the variability of the risk factors to which the trading book is exposed over a predefined time horizon (holding period) and with a specific level of statistical confidence. With regard to the parameters of the model used, the Group measures, following a prudential approach, a VaR with a confidence interval of 99%, over a holding period of one day. The positions subject to VaR calculation are those in financial instruments that can be classified as assets or liabilities belonging to the trading book.

VaR is measured on a daily basis at the level of the overall portfolio of owned securities. At different intervals, an information report is also produced for the Bodies, Top Management and the functions involved in the financial process.

To calculate VaR, the Group adopts the Montecarlo methodology, using historical series with a depth of one year. The historical series that underlies the simulations are updated on a daily basis by entering the most recent data for each series and excluding the most distant observation. The Group has chosen the Montecarlo method because, due to the composition of the proprietary portfolio and the type of operations carried out, it allows a reliable measurement of exposure to risks.

The aggregation of the risk factors and the diversification effect on the portfolio takes place considering the implicit correlations in the historical series of the data used.

The model currently developed covers generic market risks (interest rate risk, price risk and exchange rate risk).

The limits are resolved annually by the Board of Directors and the Risk Monitoring Committee according to their respective responsibilities.

The Group does not currently use an internal model for the management of market risks to determine the prudential capital requirements of the trading book.

1.2 Market risks

1.2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Quantitative information

1. Regulatory trading book: breakdown by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency of denomination: EURO

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet assets	**110**	**202**	**101**	**102**	**13,270**	**17,568**		
1.1 Debt securities	110	202	101	102	13,270	17,568		
- with early repayment option			101	102	216			
- other	110	202			13,054	17,568		
1.2 Other assets								
2. On-balance sheet liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives		**836**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		836						
- Options								
+ long positions								
+ short positions								
- Other derivatives		836						
+ long positions		1,657						
+ short positions		(821)						

1. Regulatory trading book: breakdown by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency of denomination: OTHER CURRENCIES

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet assets								
1.1 Debt securities								
- with early repayment option								
- other								
1.2 Other assets								
2. On-balance sheet liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives		**(832)**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		(832)						
- Options								
+ long positions								
+ short positions								
- Other derivatives		(832)						
+ long positions		822						
+ short positions		(1,654)						

In consideration of the residual nature of the amounts in currencies other than the euro, they were all aggregated in the above table.

The effect of a change in interest rates of +/- 100 basis points on the net interest income, operating income and shareholders' equity is described below.

Risk exposure due to a change in interest rates of + 100 basis points.

a. effect on net interest income in the following twelve months:	Euro 0 thousand
b. effect on profit for the year:	Euro 0 thousand
c. effect on shareholders' equity:	(1,398) thousand euro

Risk exposure due to a change in interest rates of - 100 basis points:

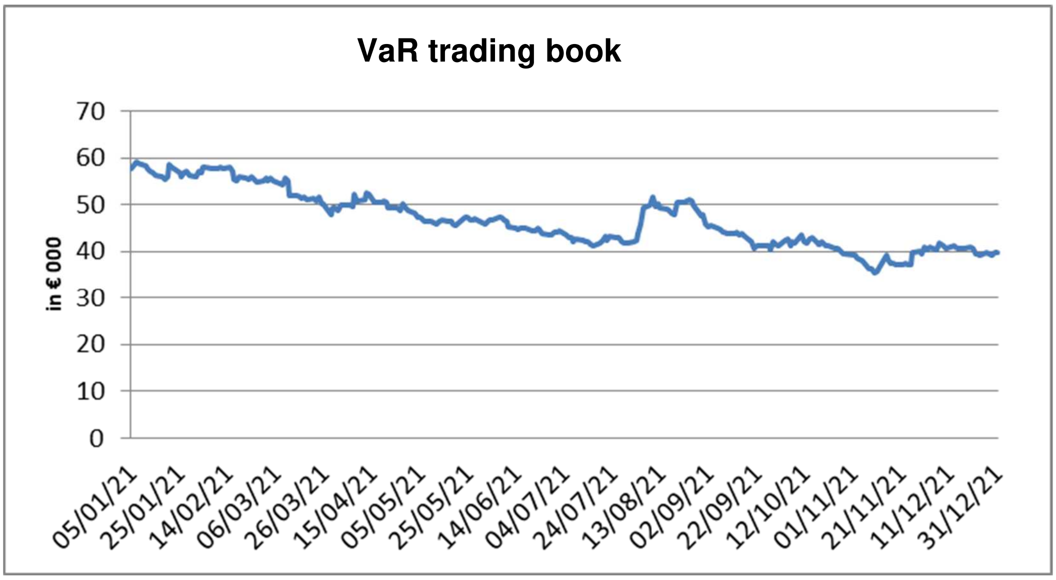
a. effect on net interest income in the following twelve months:	Euro 0 thousand
b. effect on profit for the year:	Euro 0 thousand
c. effect on shareholders' equity:	Euro 1,466 thousand

2. *Regulatory trading book: breakdown of exposures in equity securities and equity indices for the main countries of the quotation market*

Type of transactions/Quotation index	Listed						Not listed
	ITALY	UNITED STATES OF AMERICA	UNITED KINGDOM	JAPAN	GERMANY	REST OF THE WORLD	
A. Equity securities	**773**						
- long positions	773						
- short positions							
B. Purchases and sales of equity securities not yet settled							
- long positions							
- short positions							
C. Other derivatives on equity securities	**1,660**				**966**		
- long positions	1,660				966		
- short positions							
D. Derivatives on equity indices							
- long positions							
- short positions							

3. Regulatory trading book: internal models and other methods for sensitivity analysis

The attached table shows the trend in the year of risk in terms of Value at Risk (VaR) (Montecarlo method) on the asset positions in the Regulatory trading book, limited to the exposure in securities. The measurement is based on a 99% confidence interval and a holding period of 1 day.



VaR values in the last 12 months:	**Euro 000**
Start of period:	58
End of period:	40
Maximum:	59
Minimum:	36
Average:	47

1.2.2 Interest rate risk and price risk - Banking book

QUALITATIVE INFORMATION

General aspects, management processes and measurement methods for interest rate risk and price risk

The structural interest rate risk (so-called "interest rate risk in the banking book" or "IRRBB") is the risk of suffering a reduction in the value of equity or a decrease in the net interest income deriving from the impact of adverse changes in interest rates on asset and liability items other than those allocated to the regulatory trading book. The regulatory banking book is defined as residual with respect to the trading book and therefore includes all positions not included in the supervisory trading book. Therefore, the banking book includes:

a) assets and liabilities generated by treasury operations and therefore interbank deposits given and received, repurchase agreements, etc. (discretionary interest rate risk);

b) assets and liabilities generated by transactions with ordinary customers (retail and corporate); in this case, the risk is strictly related to the commercial policies of funding and lending and therefore to the "structure" of the financial statements (interest rate risk of a structural nature);

c) financial assets other than those held for trading.

The sources from which this risk originates can be identified in the negative events that mainly impact the credit, funding and finance processes.

Interest rate risk mainly takes the form of:

- "rate revision risk", related to the time mismatches in the maturity or revision date of the rate of assets, liabilities and off-balance sheet items;
- risk deriving from changes in the inclination and shape of the interest rate curve (so-called "yield curve risk");
- base risk, deriving from an imperfect correlation in the adjustment of lending and borrowing rates on different instruments but with otherwise similar price revision characteristics;
- "risk arising from option rights" deriving from options, including embedded options which give the counterparties the possibility of early repayment of the amount due to or by the Parent Bank and/or revision of the economic conditions regarding the rates applied.

The price risk of the banking book is mainly represented by equity investments, UCITS units and other securities held for investment purposes.

A.1. Interest rate risk management processes and measurement methods

A.1.1 Organisational aspects

The Group's interest rate risk management process, with reference to the banking book, consists of the following phases:

Risk management policy

The objective of the risk management policy is the implementation of short and long-term strategic guidelines, in order to quantify the resources to be allocated in the financial loans and investments segment in terms of exposure to interest rate and price risks of the overall banking book in terms of the volatility of the net interest income and the economic value of the shareholders' equity. The quantification of the resources to be allocated to the aforementioned segments is carried out, taking into account both the aforementioned market risks (in terms of interest rate risk, share price risk, exchange rate risk) and liquidity risk, on the basis of the results deriving from the analyses carried out on the forecasts regarding the trend of the main macro-economic variables, the main reference markets, national and international monetary policies, the characteristics of the company financial structure, the characteristics of the banking book, public restrictions and supervisory regulations.

Decisions on interest rate risk management are taken by the Risk Monitoring Committee.

Risk measurement

The interest rate risk measurement phase involves the construction of an indicative measure of the risk deriving from the composition, structure and characteristics of the banking book.

Exposure to interest rate risk is expressed in two different perspectives: in the volatility of the economic value of the shareholders' equity and in the volatility of the net interest income or profits. Measurements take place both in the normal course of business and under stress assumptions. The risk of changes in the economic value of the shareholders' equity is determined through the shift sensitivity approach and the change in the present value of the shareholders' equity. The risk that expected and unexpected changes in market interest rates have negative impacts on the net interest income or profits is determined by recalculating the interest or profits deriving from the delta of the market curves used.

The risk measurement is carried out by the Risk Management Service, which also produces the reports for the Corporate bodies and functions involved in the process of managing the structural rate risk.

Risk control

The risk control phase is carried out by the Risk Management Service. The system of limits on risks for structural interest rate risk provides for the monitoring of limits and indicators relating to the impact of rate shocks.

Risk control is also carried out periodically by Internal Audit and by the units involved in the structural interest rate risk management process to verify:

- the adequacy and functionality of the financial process;
- compliance with the rules and criteria established on risk management;
- the proper performance of the activities and controls set up to monitor risks;
- any critical issues to be removed promptly.

A.1.2 Methodological aspects

The Group's Asset & Liability Management system measures its exposure to structural interest rate risk.

Periodically, the Group carries out simulations on the net interest income through the ERMAS procedure, applying different forecast scenarios on market rates. The simulations also take into account particularly adverse scenarios, quantifying the impact of a change in interest rates deviating from current forecast expectations in combination with additional stress factors. The shift sensitivity analyses include estimates of the impacts of applying the standard shocks defined by the Basel Committee and measurements under stress assumptions. In addition, in line with the provisions of the supervisory regulations, the impact of a hypothetical parallel change in rates of +/- 200 basis points on the exposure to interest rate risk is assessed from a current and prospective perspective.

The Group also measures exposure to interest rate risk on the basis of the simplified method provided for by supervisory regulations.

As regards the measurement of the price risk on the positions belonging to the banking book, the Group adopts the same methods applied to the positions of the regulatory trading book.

B. Fair value hedging

ASSETS HEDGING

Starting from March 2010, the risks deriving from the disbursement of floating rate mortgages with "Cap" (maximum limit on the interest rate applied to customers) are hedged against interest rate risk. In particular, if the cap rate provided for in the derivative contract is exceeded, the counterparty is obliged to pay an interest flow equal to the difference between the observed market rate and the rate itself.

For the purposes of defining the "hedging strategy" and identifying suitable instruments, mortgages with similar characteristics are grouped into "portfolios". A derivative contract is stipulated for each portfolio thus created.

Starting from January 2020, interest rate risk is hedged on a set of fixed-rate assets represented by mortgages. For these forms of fair value hedging, macro hedging was chosen. The Parent Bank periodically carries out prospective and retrospective effectiveness tests in order to verify the degree of effectiveness of the hedge created and for the accounting management thereof.

LIABILITIES HEDGING

The interest rate risk on specific bond issues is hedged. In particular, hedging is carried out through the execution of a derivative contract for a single issue. The objective is to "transform" the issue rate into a floating rate linked to the 3 or 6-month Euribor. To this end, an Interest Rate Swap contract is stipulated where the active leg provides for the collection from the counterparty of the coupon to be paid to the bond subscribers, while the passive leg provides for the payment to the same counterparty of the floating rate indexed to Euribor plus or minus a certain spread. Bonds of this type are accounted for by adopting the fair value option and are represented in Item 30 of Liabilities.

As from 1 January 2014, the Parent Bank decided to no longer issue fair value options, but to issue bonds allocated to Item 10.c. of Liabilities or at amortised cost and to hedge the related interest rate risks through OTC derivative contracts, recognising financial instruments in accordance with IAS 39 for the rules of hedge accounting (fair value hedging).

At 31 December 2021, there are no financial liabilities issued by the Parent Bank and managed under hedge accounting.

1.2.2 Interest rate risk and price risk - Banking book

1. Banking book: breakdown by residual duration (by repricing date) of financial assets and liabilities

Currency of denomination: EURO

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet	**668,284**	**3,215,585**	**2,275,267**	**314,510**	**2,381,258**	**794,892**	**597,568**	
1.1 Debt securities	1,446	357,583	1,288,440	128,904	1,519,741	152,044	14,278	
- with early repayment option	721	9,275	6,714	490	11,418	8,438		
- other	725	348,308	1,281,726	128,414	1,508,323	143,606	14,278	
1.2 Loans to banks		422,202	689					
1.3 Loans to customers	666,838	2,435,800	986,138	185,606	861,517	642,848	583,290	
current account	556,286			1,167	1,650			
- other loans	110,552	2,435,800	986,138	184,439	859,867	642,848	583,290	
- with early repayment option	98,403	2,027,129	795,467	147,054	745,827	580,047	542,183	
- other	12,149	408,671	190,671	37,385	114,040	62,801	41,107	
2. On-balance sheet	**(6,618,298)**	**(265,633)**	**(254,969)**	**(208,680)**	**(2,583,433)**	**(67,533)**	**(11,732)**	
2.1 Due to customers	(6,604,189)	(256,620)	(127,572)	(161,979)	(397,492)	(9,785)	(6,459)	
current account	(6,388,239)	(54,865)	(57,565)	(49,326)	(130,312)			
- other payables	(215,950)	(201,755)	(70,007)	(112,653)	(267,180)	(9,785)	(6,459)	
- with early repayment option								
- other	(215,950)	(201,755)	(70,007)	(112,653)	(267,180)	(9,785)	(6,459)	
2.2 Due to banks	(14,012)	(9,013)	(82,723)	(4,802)	(2,180,602)	(39,307)	(5,273)	
current account	(3,482)							
- other payables	(10,530)	(9,013)	(82,723)	(4,802)	(2,180,602)	(39,307)	(5,273)	
2.3 Debt securities			(44,674)	(41,899)	(5,339)	(18,441)		
- with early repayment option					(337)	(18,441)		
- other			(44,674)	(41,899)	(5,002)			
2.4 Other liabilities	(97)							
- with early repayment option								
- other	(97)							
3. Financial derivatives		**172,928**	**(2,431)**	**(2,851)**	**(13,720)**	**(75,901)**	**(77,509)**	
3.1 With underlying security		(57)						
- Options								
+ long positions								
+ short positions								
- Other derivatives		(57)						
+ long positions								
+ short positions		(57)						
3.2 Without underlying		172,985	(2,431)	(2,851)	(13,720)	(75,901)	(77,509)	
- Options		(42,554)	619	3,293	37,280	(13,043)	14,407	
+ long positions		19,332	14,799	3,353	39,904	16,980	14,407	
+ short positions		(61,886)	(14,180)	(60)	(2,624)	(30,023)		
- Other derivatives		215,539	(3,050)	(6,144)	(51,000)	(62,858)	(91,916)	
+ long positions		227,055	23,442	3,157	2,349			
+ short positions		(11,516)	(26,492)	(9,301)	(53,349)	(62,858)	(91,916)	
4. Other off-balance sheet	**(137,534)**	**82,319**	**21,885**		**127**	**1,150**		
+ long positions	4,220	82,319	21,885		127	1,150		
+ short positions	(141,754)							

1. Banking book: breakdown by residual duration (by repricing date) of financial assets and liabilities

Currency of denomination: OTHER CURRENCIES

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet assets	**825**	**8,073**	**745**					
1.1 Debt securities								
- with early repayment option								
- other								
1.2 Loans to banks								
1.3 Loans to customers	825	8,073	745					
-current account	668							
- other loans	157	8,073	745					
- with early repayment option								
- other	157	8,073	745					
2. On-balance sheet liabilities	**(22,202)**							
2.1 Due to customers	(22,202)							
-current account	(21,219)							
- other payables	(983)							
- with early repayment option								
- other	(983)							
2.2 Due to banks								
-current account								
- other payables								
2.3 Debt securities								
- with early repayment option								
- other								
2.4 Other liabilities								
- with early repayment option								
- other								
3. Financial derivatives		**(558)**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		(558)						
- Options								
+ long positions								
+ short positions								
- Other derivatives		(558)						
+ long positions		8,741	5,835	3,226	2,372			
+ short positions		(9,299)	(5,835)	(3,226)	(2,372)			
4. Other off-balance sheet transactions								
+ long positions								
+ short positions								

In consideration of the residual nature of the amounts in currencies other than the euro, they were all aggregated in the above table.

The effects of a change in interest rates of +/- 100 basis points are described below.

Risk exposure due to a change in interest rates of - 100 basis points:

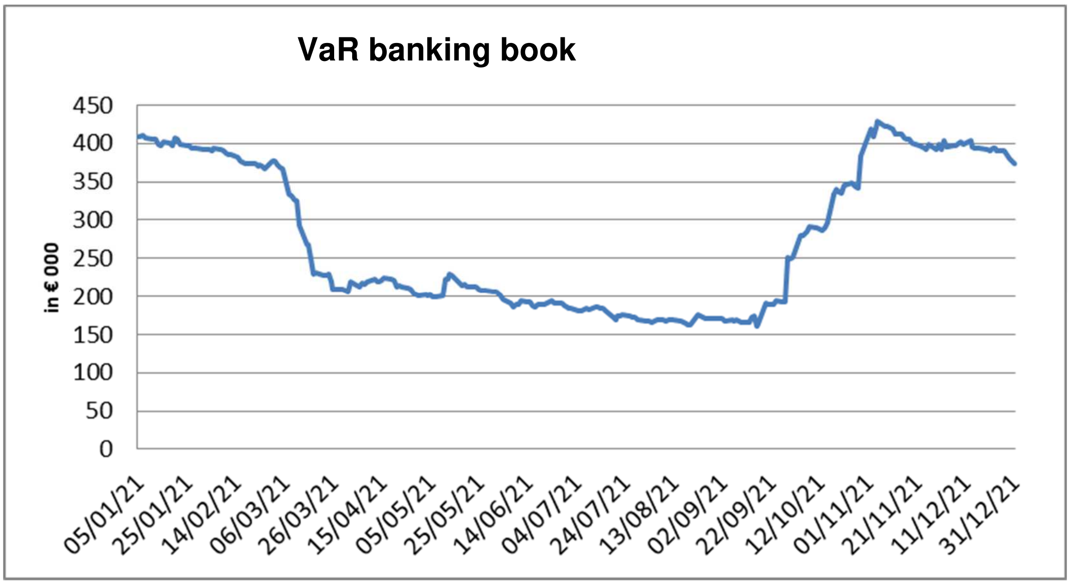
a. effect on net interest and other banking income in the following twelve months:	Euro 23,938 thousand
b. effect on profit for the year:	Euro 16,244 thousand
c. effect on shareholders' equity:	Euro (19,343) thousand

Risk exposure due to a change in interest rates of - 100 basis points:

a. effect on net interest and other banking income in the following twelve months:	Euro (15,216) thousand
b. effect on profit for the year:	(10,326) thousand euro
c. effect on shareholders' equity:	Euro 7,632 thousand

2. Banking book: internal models and other methods for sensitivity analysis

The attached table shows the trend of risk during the year in terms of Value at Risk (VaR) (Monte Carlo methodology) on the asset positions in the banking book, limited to the exposure in securities. The measurement is based on a 99% confidence interval and a holding period of 1 day.



VaR values in the last 12 months:	**Euro 000**
Start of period:	409
End of period:	374
Maximum:	429
Minimum:	161
Average:	275

1.2.3 Currency risk

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for exchange rate risk

A.1 Sources of exchange rate risk

Exchange rate risk is the risk of incurring losses caused by adverse changes in exchange rates between foreign currencies and the euro in relation to all positions denominated in a foreign currency, both in the regulatory trading book and in the banking book.

The main sources of exchange rate risk are:

1. foreign currency loans and deposits with customers;
2. purchases of securities and other financial instruments in foreign currency;
3. trading of foreign banknotes;
4. collection and/or payment of interest, commissions, dividends, etc.

A.2 Internal exchange rate risk management and control processes

The management processes and measurement methods for exchange rate risk are similar to those indicated for interest rate and price risks.

For the purposes of quantifying capital requirements, the Group adopts the standardised methodology envisaged by the supervisory provisions.

B. Exchange rate risk hedging

In general, the Group's policy is to minimize exposure to exchange rate risk. To this end, foreign currency positions are normally hedged by carrying out funding and/or lending transactions in the same currency.

Quantitative information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currencies					
	United States dollar	British pound	Swiss Franc	Australian dollar	Norwegian krone	Other currencies
A. Financial assets	**9,042**		**321**			**280**
A.1 Debt securities						
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers	9,042		321			280
A.5 Other financial assets						
B. Other assets	**9,044**	**506**	**3,001**	**733**	**375**	**221**
C. Financial liabilities	**(17,275)**	**(560)**	**(3,219)**	**(697)**	**(353)**	**(98)**
C.1 Due to banks						
C. 2 Due to customers	(17,275)	(560)	(3,219)	(697)	(353)	(98)
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives	**(798)**	**61**	**(95)**			**(273)**
- Options						
+ long positions						
+ short positions						
- Other derivatives	(798)	61	(95)			(273)
+ long positions	15,517	70	4,874			41
+ short positions	(16,315)	(9)	(4,969)			(314)
Total Assets	**33,603**	**576**	**8,196**	**733**	**375**	**542**
Total Liabilities	**(33,590)**	**(569)**	**(8,188)**	**(697)**	**(353)**	**(412)**
Difference (+/-)	**13**	**7**	**8**	**36**	**22**	**130**

SECTION 3 - DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 Trading derivatives

A. Financial derivatives

A.1 Financial trading derivatives: notional amounts at the end of the period

Underlying assets/Types of derivatives	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates			**145,476**				**154,778**	
a) Options			127,676				136,978	
b) Swaps			17,800				17,800	
c) Forwards								
d) Futures								
e) Other								
2. Equity securities and equity indices			**1,532**	**1,094**				**1,094**
a) Options								
b) Swaps								
c) Forwards								
d) Futures				966				966
e) Other			1,532	128				128
3. Currencies and gold			**39,638**				**15,536**	
a) Options								
b) Swaps			1,270				2,124	
c) Forwards			38,368				13,412	
d) Futures								
e) Other								
4. Goods								
5) Other								
Total			186,646	1,094			170,314	1,094

A.2 Financial trading derivatives: gross positive and negative fair value - breakdown

Underlying assets/Types of derivatives	31.12.2021				31.12.2020			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counterparties	With netting agreements	Without netting agreements	Organised markets	Central counterparties	With netting agreements	Without netting agreements	Organised markets
1. Positive fair value								
a) Options			3					
b) Interest rate swaps			147				413	
c) Cross currency swaps			33				6	
d) Equity swaps								
c) Forwards			495				219	
f) Futures								
g) Other				384				130
Total			678	384			638	130
2. Negative fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps			40				15	
d) Equity swaps								
c) Forwards			468				206	
f) Futures								
g) Other								
Total			508				221	

A.3 *OTC financial trading derivatives: notional amounts, gross positive and negative fair value by counterparty*

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not falling under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	145,476		
- positive fair value	X	150		
- negative fair value	X			
2) Equity securities and equity indices				
- notional amount	X	1,532		
- positive fair value	X			
- negative fair value	X			
3) Currencies and gold				
- notional amount	X	19,959		19,680
- positive fair value	X	251		277
- negative fair value	X	270		238
4) Goods				
- notional amount	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional amount	X			
- positive fair value	X			
- negative fair value	X			
Contracts falling under netting agreements				
1) Debt securities and interest rates				
- notional amount				
- gross positive fair value				
- gross negative fair value				
2) Equity securities and equity indices				
- notional amount				
- gross positive fair value				
- gross negative fair value				
3) Currencies and gold				
- notional amount				
- gross positive fair value				
- gross negative fair value				
4) Goods				
- notional amount				
- gross positive fair value				
- gross negative fair value				
5) Other				
- notional amount				
- gross positive fair value				
- gross negative fair value				

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

Underlying/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	35,600	1,636	108,240	145,476
A.2 Financial derivatives on equity securities and equity indices		1,532		1,532
A.3 Financial derivatives on currencies and gold	34,895	4,743		39,638
A.4 Financial derivatives on other securities				
A.5 Other financial derivatives				
Total 31.12.2021	**70,495**	**7,911**	**108,240**	**186,646**
Total 31.12.2020	**33,336**	**20,260**	**116,718**	**170,314**

1.3.2 Accounting hedges

Quantitative information

A. Financial hedging derivatives

A.1 Financial hedging derivatives: notional amounts at the end of the period

Underlying assets/Types of derivatives	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates			**252,986**				**276,162**	
a) Options			34,960				46,388	
b) Swaps			218,026				229,774	
c) Forwards								
d) Futures								
e) Other								
2. Equity securities and equity indices								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
3. Currencies and gold								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
4. Goods								
5) Other								
Total			252,986				276,162	

A.2 Financial hedging derivatives: gross positive and negative fair value - breakdown by product

Types of derivatives	Positive and negative fair value								Change in value used to calculate the effectiveness of the hedge	
	31.12.2021				31.12.2020					
	Over the counter			Organised markets	Over the counter			Organised markets	Total 31.12.2021	Total 31.12.2020
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
1. Positive fair value										
a) Options			2						2	
b) Interest rate swaps			5,586						5,586	
c) Cross currency swaps										
d) Equity swaps										
c) Forwards										
f) Futures										
g) Other										
Total			5,588						5,588	
2. Negative fair value										
a) Options										
b) Interest rate swaps			504				5,159		504	5,159
c) Cross currency swaps										
d) Equity swaps										
c) Forwards										
f) Futures										
g) Other										
Total			504				5,159		504	5,159

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

	Central counterparties	Banks	Other financial companies	Other parties
Contracts not falling under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	252,987		
- positive fair value	X	(5,588)		
- negative fair value	X	(504)		
2) Equity securities and equity indices				
- notional amount	X			
- positive fair value	X			
- negative fair value	X			
3) Currencies and gold				
- notional amount	X			
- positive fair value	X			
- negative fair value	X			
4) Goods				
- notional amount	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional amount	X			
- positive fair value	X			
- negative fair value	X			
Contracts falling under netting agreements				
1) Debt securities and interest rates				
- notional amount				
- gross positive fair value				
- gross negative fair value				
2) Equity securities and equity indices				
- notional amount				
- gross positive fair value				
- gross negative fair value				
3) Currencies and gold				
- notional amount				
- gross positive fair value				
- gross negative fair value				
4) Goods				
- notional amount				
- gross positive fair value				
- gross negative fair value				
5) Other				
- notional amount				
- gross positive fair value				
- gross negative fair value				

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

Underlying/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	12,247	51,005	189,735	252,987
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on goods				
A.5 Other financial derivatives				
Total 31.12.2021	**12,247**	**51,005**	**189,735**	**252,987**
Total 31.12.2020	**11,748**	**50,195**	**214,219**	**276,162**

1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for liquidity risk

A.1. General aspects

Liquidity risk is defined as the Group's inability or difficulty to fulfil its payment commitments. In particular, liquidity risk is considered in the following two cases identified as the sources generating liquidity:

- Funding Liquidity Risk: i.e. the risk that the Group may not be able to efficiently deal with current and future cash outflows, expected and unexpected, and any collateral requirements, without affecting daily operations or its financial position;
- Market Liquidity Risk: i.e. the risk that the Group may not easily sell a position at market prices due to insufficient market liquidity or due to turbulence in the market.

Liquidity risk is measured, managed and controlled based on different time horizons:

- infra-day in order to assess the ability to effectively manage its liquidity requirements during the operating day in light of the payments to be made (so-called "intra-day liquidity");
- "Short-term" (normally up to one year) in order to assess the adequacy of the assets that can be used to meet any funding requirements (so-called "operating liquidity");
- "Medium-long term" (usually beyond the year) in order to assess the financial balance of the Group with particular reference to the degree of transformation of maturities (so-called "structural liquidity").

Liquidity risk can be generated by various factors internal and external to the Group. The identification of these risk factors is achieved through:

- the analysis of the time distribution of cash flows from financial assets and liabilities as well as off-balance sheet transactions;
- the identification:
  - of items that do not have a defined maturity ("demand and revocable" items);
  - of financial instruments that incorporate optional components (explicit or implicit) that may change the size and/or the time distribution of cash flows (for example, early redemption options);
  - of financial instruments that by nature determine variable cash flows depending on the performance of specific underlying assets (for example, derivatives).
- the analysis of the level of seniority of the financial instruments.

The processes in which the Group's liquidity risk originates are mainly represented by the Finance/Treasury, Funding and Credit processes.

Impacts deriving from the COVID-19 pandemic

In 2021, the COVID-19 pandemic did not produce significant impacts on liquidity risk. The policies implemented by the Sparkasse Group in 2020, aimed at maintaining a sufficient level of liquidity to absorb any adverse scenarios, guaranteed the Bank a high amount of liquidity reserves throughout 2021. The transactions that continued throughout 2021 include the increase in TLTROs with an exposure to the Central Bank of Euro 1,950 million, the increase in collateral guaranteed through the ABACO channel and the Fanes V self-securitisation transaction.

At the end of 2020, the ECB announced three additional TLTRO-III transactions between June and December 2021, increasing the maximum obtainable funding from 50% to 55% of the loan stock. The Bank deemed it appropriate to review the TLTRO-III financing plan by taking advantage of this opportunity, bringing the total amount of TLTRO loans from Euro 1,950 million to Euro 2,150 million. The existing loans were also repaid in advance in order to participate in the new auctions and obtain a further extension of the loans. The existing tranches in fact had a contractually fixed term during 2023, therefore by repaying the loans and participating in the new auctions, the new maturity date could be moved to the second half of 2024.

Also for this year the Bank has used the option offered with the "tiering" (liquid balances of banks with the ECB up to an amount of 6 times the minimum compulsory reserve are remunerated at the rate of 0%) by carrying out MTS Repo operations in the short to very short term.

A.2. Management processes and measurement methods for liquidity risk

A.2.1 Organisational aspects

In compliance with the supervisory provisions issued in this regard, the Group has defined the organisational and procedural controls for the supervisory provisions on the governance and management of liquidity risk. In particular, the regulation of the liquidity risk management process was defined, dividing it into the following phases:

- identification of liquidity risk;
- measurement of liquidity risk: in a context of "normal course of business" and in the event of stress;
- detection and monitoring of "early warning indicators";
- recognition of encumbered assets;
- liquidity risk monitoring;
- liquidity risk prevention/mitigation: definition and updating of operating limits, funding plan, funds transfer pricing system, escalation procedures for operating limits and risk indicators, Contingency Funding and Recovery Plan, plan to restore compliance with liquidity requirements;
- liquidity risk reporting and communication.

In compliance with the above-mentioned regulation, the methodological and organisational profiles for the measurement, management and control of liquidity risk are defined and formalised in the internal regulations in compliance with the aforementioned supervisory provisions. These regulations concern:

a) the **methodological profiles for measuring both short-term and structural liquidity risk,** which govern in detail the components to be considered and the related treatment, as well as the ratios and indicators to be quantified to determine the exposure to the aforementioned risk. In this regard, it should be noted that the measurement is carried out separately by adopting an approach:
   - "static", i.e. considering only transactions already in place at the measurement date, including forecast transactions. The Risk Management measures short-term liquidity risk on a daily basis, while structural liquidity risk is usually measured on a monthly basis;
   - "in the event of stress", i.e. in the case of particularly adverse unexpected scenarios that determine an increase in exposure to liquidity risk;

b) the **methodological profiles concerning the system of "warning indicators"** which governs the set of indicators (or "early warning indicators") adopted for the purpose of qualifying the reference operating context and the activation of the emergency plan. For each indicator adopted, the algorithm for the periodic valuation, the information sources to be used, the monitoring frequency and the company functions responsible for calculating the same indicators are explained. In this regard, to be noted is that, for each indicator, the ranges of values to be adopted for the qualification of the operating context are defined and updated by the Risk Monitoring Committee also to take into account the evolution of the context in which the Group operates.
   The Risk Management Service is responsible for the overall monitoring of the system of early warning indicators. In the event that the values assumed by one or more early warning indicators qualify the reference operating context as a "stress situation", the Risk Management Service provides a specific report to the Chief Executive Officer -General Manager, taking into account the analyses carried out by the Risk Management Service and the Finance and Treasury Department;

c) the **emergency plan (known as "Contingency Funding Plan")** which governs the management of crisis situations attributable to the market or to specific situations of the Group. The main purpose of the Contingency Funding Plan is to protect the Group's assets in situations of liquidity drain by identifying the strategies to be implemented to manage the crisis and find sources of funding. Specifically, the Plan mainly defines:
   - the process of qualification of the operating context and the external and internal communication procedures, also addressed to the Board of Directors. In particular, due to the deterioration of the liquidity position, the operating context of "stress situation" is envisaged;
   - the parties/Corporate bodies involved as well as the roles and responsibilities assigned in the event of activation of the emergency plan. The management of the "stress condition" is entrusted to the Risk Monitoring Committee;

- the potential actions to be taken for the management of a "stress situation" and the estimated timeframe for the activation of the individual measure, in the event that there are no prerequisites for the activation of the Recovery Plan and the consequent adoption of the procedures provided therein.

Risk Management monitors compliance with the limits on a daily basis with respect to short-term liquidity risk and on a monthly basis with respect to structural liquidity risk, while the measurement of intra-day liquidity risk is carried out by the Finance and Treasury Department as part of its daily operations.

The **reporting system** was also defined, specifying the objectives, content, frequency of preparation and recipients for each report. In this regard, please note that:

- the Board of Directors and the Board of Statutory Auditors receive at least quarterly reports on liquidity risk exposure and compliance with the set out limits;
- the results of the risk measurement and the results of the monitoring on the set out limits, as well as on the warning indicators, are reported daily in a synthetic manner to the Chief Executive Officer - General Manager;
- the detailed reports are sent to the Finance and Treasury Department and the Financial Statements, Tax and Management Control and to the Chief Executive Officer - General Manager for any further information;
- a summary of the results obtained during the year is provided to the Risk Monitoring Committee, with particular reference to the performance analysis;
- the Internal Audit Function is informed in the event of violations of operating limits, in the event of anomalies in the risk indicators and where deemed appropriate by the Risk Management Service;
- Risk Management is responsible for preparing the reporting.

The Basel Committee, as part of the Basel 3 framework, has introduced new liquidity requirements that require banks to maintain a minimum level of liquidity to deal with stress situations and ensure a balanced relationship between stable funding sources and loans. For short-term liquidity, the "Liquidity Coverage Ratio" (LCR) indicator was introduced:

This is a short-term liquidity constraint designed to ensure that the Group maintains sufficient high-quality liquid assets to meet liquidity stress situations.

The ratio of high-quality liquid assets to expected net cash outflows over the next 30 days, estimated based on a stress scenario, is required to be greater than 100% at all times (to be met on a consolidated basis in accordance with Article 460 CRR and Article 38 of Delegated Regulation (EU) 2015/61.

It should be noted that the calculation of the LCR in compliance with the provisions set out on a consolidated basis at 31 December 2021 is 196.11% and, therefore, well above the minimum binding requirement.

A.2.2 MEASUREMENT METHODS FOR LIQUIDITY RISK

A.2.2.1 Short-term liquidity risk

The measurement of the exposure to short-term liquidity risk in a normal course of business, aims to qualify the ability to meet its payment obligations in a condition of regular liquidity management. The measurement of exposure to operating liquidity risk is prepared from a current perspective. Exposure to short-term liquidity risk is quantified through the use of maturity brackets (known as Maturity ladder) which make it possible to assess, from both a current and a prospective view, the balance of expected cash flows by comparing the cash inflows and outflows within the same maturity bracket.

For the quantification of short-term liquidity risk, from a current perspective, the Group:

- determines, for each time bracket of the maturity ladder, the inflows and outflows related to on-balance sheet assets and liabilities as well as to off-balance sheet transactions;
- identifies and quantifies the Counterbalancing Capacity (CBC) and the liquidity reserve;
- estimates the availability/requirements relating to the management of the compulsory reserve (ROB).

In quantifying the cash flows for each bracket, reference is made to both the capital and interest profiles. With reference to transactions with a repayment plan, the residual contractual duration of the individual instalments is determined.

The Counterbalancing Capacity is the set of assets that can be sold or used in refinancing transactions (for example, repo transactions) and which therefore make it possible to obtain liquidity over the forecast horizon considered. The assets that can be readily liquidated are included in the Counterbalancing Capacity by reference to the market value net of a haircut.

For each maturity of the maturity ladder, the periodic gaps and the cumulative imbalances are quantified in order to show the net balance of the financial requirement (or surplus).

The imbalances in the bracket are calculated by comparing the cash inflows and outflows, allocated in the same time bracket. Otherwise, the cumulative imbalances for each bracket of the maturity ladder are determined as follows:

$\textit{Cumulative gap}_{0,t} = [(\text{Cash inflows}_{0,t} - \text{Cash outflows}_{0,t}) + \text{Total liquidity reserves}_{0,t}$

Exposure to liquidity risk, in addition to the normal course of business, is also measured under stress conditions. The "stress tests" are techniques through which it is possible to assess the impact of negative events on the exposure to risk and on the adequacy of the liquidity reserves in terms of quantity and quality.

In order to carry out the "stress tests", the "risk factors" are identified in advance, i.e. the variables whose performance may worsen the exposure to risk. The set of variables considered in the "stress tests" define the adverse scenario.

With reference to the stress tests related to short-term liquidity risk, they are distinguished on the basis of the nature of the causes that determine the stress condition. In particular stress situations are considered separately:

- of an "idiosyncratic" nature, i.e. attributable to causes specifically attributable to the Group or to the individual Entity;
- "systemic" in nature, i.e. connected to a situation of instability in the monetary and financial markets.

The assumptions underlying the scenarios are considered realistic but, at the same time, adequately conservative with reference to the severity and duration of the simulated shock. The duration of the scenario concerns the time horizon in which the stress situation occurs.

The Parent Bank carries out a monthly stress test on operational liquidity by calculating the Liquidity Coverage Requirement (LCR), which is aimed at strengthening the short-term profile of liquidity risk by ensuring that the Parent Bank has a sufficient level of liquidity reserves to overcome an acute 30-day stress situation.

The LCR indicator is measured on a quarterly basis with a view to stress, analysing the impact deriving from adverse events and scenarios on the indicator itself.

A.2.2.2 Structural liquidity risk

The measurement of structural liquidity risk, in a context of the normal course of business, aims to identify any structural imbalances between assets and liabilities due beyond one year. The quantification of the exposure to structural liquidity risk is necessary in order to prevent and manage the risks deriving from a high transformation of maturities avoiding the emergence of situations of future liquidity tension.

The medium/long-term liquidity risk measurement method is based on an approach that compares cash inflows and outflows for each maturity ladder. In particular, the maturity ladder is constructed:

- by identifying one or more brackets with a maturity of less than one year;
- by adopting, for longer maturities, a number of brackets at least equal to that provided by supervisory regulations for the calculation of the exposure to interest rate risk on the Banking book;
- by setting a specific bracket for items that are not subject to disbursement and items of indefinite duration respectively.

For the calculation of structural liquidity risk, the following are considered:

- the technical forms that provides for a specific contractual profile by maturity (e.g. loans to customers, bond loans);

- demand items that do not have a contractual maturity profile (current accounts receivable and payable, demand deposits);
- other technical forms that by nature do not have a contractual profile by maturity (equity items, provisions for risks and charges, equity securities, UCITS, property, plant and equipment, etc.).

The technical forms with a contractual maturity profile are placed, based on said maturity, in the relevant maturity brackets of the maturity ladder. As regards on-demand items concerning both funding and loans to customers, the model used makes it possible to identify:

- a structural component, i.e. the amount that is considered "stable" over time and, therefore, to be placed in the "indefinite" range;
- a non-structural component, i.e. the amount that is considered "volatile" over time and, therefore, to be placed in the maturity bracket according to a specific time profile that reflects the expected incoming/outgoing cash flows.

As regards the monitoring of the Group's structural liquidity position, the Net Stable Funding Ratio (NSFR) is also calculated at management level. This indicator identifies the ratio of Available Stable Funding (available amount of stable funding) to Required Stable Funding (necessary amount of stable funding).

It should be noted that the calculation of the NSFR in compliance with the provisions, set out on a consolidated basis at 31 December 2021 is 125.34%, well above the minimum binding requirement (100%) that came into effect in June 2021.

B. Evolution of exposure to liquidity risk

During the year, the Group implemented a number of initiatives aimed at limiting its exposure to liquidity risk. As part of the 2022 Funding Policy, the Group has identified specific initiatives aimed at:

- guaranteeing an amount of liquidity reserves in order to maintain levels well above the required regulatory requirements;
- setting up a buffer to face the risk of any significant outflows of deposits as well as supporting loans to customers;
- diversification of funding sources (also through the launch of a new online deposit collection platform and the establishment of new funding tools);
- offsetting the return to pre-pandemic monetary policy measures (ECB haircut collateral).

The Group's exposure to unexpected cash outflows mainly concerns:

- liability items that do not have a defined maturity (primarily current accounts payable and demand deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid in advance;
- its own bonds listed on the HiMTF market, for which the bank has undertaken a commitment to repurchase;
- the margins available on the credit lines granted.

Furthermore, the exposure of the Group to the impacts due to moratoria and non-repayment of loans granted is specified.

Recourse to refinancing with the ECB at 31 December 2021 amounted to Euro 2,150 million and is represented by funding from the participation in the lending operations called Targeted Long Term Refinancing Operations (TLTRO-III).

At 31 December 2021, the Group had a large amount of liquid assets that was largely sufficient to meet its liquidity requirements, even in the event of stress. In fact, at the aforementioned date, the LCR indicator has a value well above that required by the mandatory requirements. The Group's liquid assets are represented almost exclusively by securities issued by the Italian government and by the amount of exposure to the Central Bank. From a structural point of view, the Group, at 31 December 2021, has a structure by maturity brackets that is sufficiently balanced in that it has a stable amount of funding sufficient to balance medium/long-term assets. In particular, with reference to the maturity profile, the amount of medium/long-term assets, represented mainly by mortgages and loans to customers, is balanced by stable funding, represented not only by assets, but also by medium/long-term liabilities and on-demand liabilities which, however, show high stability rates based on contractual characteristics and depositors.

With regard to the concentration of funding sources at 31 December 2021, it should be noted that:

- the incidence of deposits from the top 10 non-banking counterparties on total deposits from ordinary customers was 9.30%;
- the ratio of retail funding to total funding used in the calculation of the LCR indicator is 67.70%;
- the ratio of the amount of certificates of deposit, term deposits and bonds maturing for each of the following 12 months to the total of the same outstanding instruments is limited and in any case never exceeds 6%.

On 1 January 2016, the MREL (minimum requirement for own funds and eligible liabilities) legislation came into force, which requires credit institutions to keep in circulation a certain amount of their own financial instruments potentially subject to bail-in. With provision dated 18/08/2021, the Bank of Italy communicated the MREL requirements for the Bank, to be complied with starting from 01/01/2022. The requirements are defined in relation to the RWAs (8.80%) and to the total exposures for the Leverage ratio (3.00%).

As highlighted in 2021, the Group's liquidity situation is capable of facing the uncertainties associated with the COVID-19 pandemic, even if any tensions should re-emerge.

1.4 - Liquidity risk - management processes and measurement methods for liquidity risk
Quantitative information

1. Time breakdown by residual contractual duration of financial assets and liabilities
Currency of denomination: EURO

Items/Time brackets	Demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite duration
On-balance sheet assets	**677,326**	**10,292**	**9,986**	**155,011**	**344,138**	**325,097**	**623,432**	**5,071,213**	**2,798,735**	**418,214**
A.1 Government bonds	728		1,361		22,503	16,784	136,605	2,448,474	472,234	
A.2 Other debt securities	16,700	20	7	97,808	4,311	12,406	8,699	168,590	18,232	
A.3 UCITS units	113,048									
A.4 Loans	546,850	10,272	8,618	57,203	317,324	295,907	478,128	2,454,149	2,308,269	418,214
- banks			3,130		722	690				418,214
- customers	546,850	10,272	5,488	57,203	316,602	295,217	478,128	2,454,149	2,308,269	
On-balance sheet liabilities	**(6,622,466)**	**(10,871)**	**(21,019)**	**(23,911)**	**(74,675)**	**(154,290)**	**(238,183)**	**(2,782,169)**	**(96,565)**	
B.1 Deposits and current accounts	(6,621,396)	(10,867)	(21,018)	(23,783)	(65,439)	(113,980)	(159,988)	(381,005)		
- banks	(13,932)		(9,010)							
- customers	(6,607,464)	(10,867)	(12,008)	(23,783)	(65,439)	(113,980)	(159,988)	(381,005)		
B.2 Debt securities						(14,567)	(43,096)	(35,733)	(20,000)	
B.3 Other liabilities	(1,070)	(4)	(1)	(128)	(9,236)	(25,743)	(35,099)	(2,365,431)	(76,565)	
Off-balance sheet transactions	**(141,370)**	**779**		**(118)**	**43**	**(99)**	**303**	**10,311**	**130,346**	
C.1 Financial derivatives with exchange of capital		779		6	277	8	5	4		
- long positions		1,657	68	3,102	5,588	5,180	3,157	2,349		
- short positions		(878)	(68)	(3,096)	(5,311)	(5,172)	(3,152)	(2,345)		
C.2 Financial derivatives without exchange of capital	384			**(124)**	(234)	(208)	(702)			
- long positions	384					268				
- short positions				(124)	(234)	(476)	(702)			
C.3 Deposits and loans to be received										
- long positions										
- short positions										
C.4 Commitments to disburse funds	(141,754)					101	1,000	10,307	130,346	
- long positions						101	1,000	10,307	130,346	
- short positions	(141,754)									
C.5 Financial guarantees issued										
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. Time breakdown by residual contractual duration of financial assets and liabilities

Currency of denomination: OTHER CURRENCIES

Items/Time brackets	Demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite duration
On-balance sheet assets	**825**	**280**	**714**	**6,183**	**913**	**760**				
A.1 Government bonds										
A.2 Other debt securities										
A.3 UCITS units										
A.4 Loans	825	280	714	6,183	913	760				
- banks										
- customers	825	280	714	6,183	913	760				
On-balance sheet liabilities	**(22,203)**									
B.1 Deposits and current accounts	(22,203)									
- banks										
- customers	(22,203)									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions		**(832)**			**(279)**					
C.1 Financial derivatives with exchange of capital		(832)			(279)					
- long positions		822	69	3,119	5,554	5,340	3,226	2,372		
- short positions		(1,654)	(69)	(3,119)	(5,833)	(5,340)	(3,226)	(2,372)		
C.2 Financial derivatives without exchange of										
- long positions										
- short positions										
C.3 Deposits and loans to be received										
- long positions										
- short positions										
C.4 Commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										
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										

SECURITISATION OF CREDITS

On 1 July 2009, 1 November 2011, 1 July 2014 and 1 May 2018, pursuant to Law 130/1999, four securitisation transactions were carried out on performing loans (called FANES 1, FANES 2, FANES 3 and FANES 4) transferring without recourse to the specially established special purpose entity Fanes Srl, a portfolio of performing residential mortgages secured by mortgages for Euro 481.9, 575.8, 509.8 and 507.2 million, respectively.

On 1 May 2020, the Parent Bank completed a fifth securitisation transaction (FANES 5) of performing loans, transferring without recourse to the special purpose entity Fanes S.r.l., no longer a portfolio of residential mortgages, but a portfolio of loans disbursed to companies, for an amount of Euro 748.9 million. The issue of the Notes is of the "rump-up" type and therefore allows for subsequent increases in the securitised portfolio for a maximum value of the Senior Notes of Euro 2 billion and for the Junior Notes of Euro 1 billion over a defined period of time which will end on 27 June 2022.

All transactions, carried out with the assistance of the arranger Finanziaria Internazionale S.r.l., are classified as "self-securitisations" as the loans sold are always recorded in the balance sheet assets and the securities issued by the special purpose entity have been fully subscribed, and have the objective of strengthening liquidity control through the availability of securities called ABS (Asset Backed Securities) that can be readily used as collateral for refinancing with the European Central Bank.

In 2016 first and then in 2018, the Parent Bank decided to remodulate and make the securitisations more efficient, closing the first and second securitisation respectively by restructuring (size increase) the third transaction through the sale of an additional portfolio (consisting of part of the loans repurchased in the context of the unwinding and other residential mortgages disbursed by the Parent Bank, *especially in the last two years) of approximately Euro 530 million, and the consequent increase in the nominal amount of the* asset-backed securities issued in the context of this securitisation, and opening the fourth transaction in which the residual receivables of the second and a newly disbursed package were merged.

At the end of 2021, the outstanding issues are summarised below:

FANES 3

Security	Nominal amount	Seniority	Expiry date	External rating	First coupon detachment
IT0005041196	423,000,000 increased to 1,237,600,000	Senior	29.10.2060	Moody's Aa3 S&P AA-	29.10.2014
IT0005041220	102,100,000 increased to 179,200,000	Junior	29.10.2060	-	29.10.2014

The nominal amount, in the previous table for Fanes 3, shows both the amount of Notes issued in 2014 and the amount after the "size increase" transaction occurred in November 2016.

FANES 4

Security	Nominal amount	Seniority	Expiry date	External rating	First coupon detachment
IT0005336018	355,900,000	Senior A1	24.12.2061	Moody's Aa3 S&P AA	24.09.2018
IT0005336026	90,000,000	Senior A2	24.12.2061	Moody's Aa3 S&P A+	24.09.2018
IT0005336034	61,315,000	Junior	24.12.2061	-	24.09.2018

It should be noted that on 13 February 2019 the Parent Bank sold the entire amount of the Senior A1 tranche of the Fanes 4 transaction to institutional investors. As the risk profile for the Parent Bank does not change, the transaction maintains its characteristics unchanged, i.e. the underlying financial assets are not derecognised. An item representing the payable to the securitisation special purpose entity is recorded under liabilities, which is reduced from time to time together with the pool factor repayments of the Notes.

FANES 5

Security	Nominal amount	Seniority	Expiry date	External rating	First coupon detachment
IT0005412363	479,300,000 (rump-up to 2,000,000,000)	Senior	28.06.2060	DBRS A S&P A+	28.09.2020
IT0005412371	269,583,000 (rump-up to 1,000,000,000)	Junior	28.06.2060	-	28.09.2020

As stated, the "Senior" tranches are used for refinancing transactions, while the "Equity" tranches ("Junior" tranches) that represent the security on which the risk of insolvency weigh are in the portfolio of the Bank.

The securitisation transactions have no impact on customers, who, as required by law, are notified of the transfer of receivables.

The Bank, in its role as servicer, continues to manage the payment flows and all other activities related to the normal management of receivables, as well as to report to the SPE on the performance of the transactions.

The transactions structured in this way do not constitute securitisation risk pursuant to Pillar 1 and Pillar 2 of Basel 2 regulations.

For all securitised loans, the same management and measurement criteria used for the remaining loans are adopted.

Section 4 - Operational Risks

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for operational risk

Operational risk is defined as the risk of incurring losses deriving from the inadequacy or malfunction of procedures, human resources and internal systems, or from external events. This category includes, inter alia, losses deriving from fraud, human error, interruption of operations, unavailability of systems, contractual defaults. Operational risk includes legal risk, while strategic and reputational risk are excluded.

Based on the regulatory definition, operational risk, as part of the banking business, is generated across all business processes and is attributable to seven risk categories called "Event type". Specifically, the risk classes are broken down into: internal fraud, external fraud, employment relationships and safety at work, professional obligations towards customers or nature and characteristics of products, damages from external events, failure of IT systems and execution, delivery and management of processes. The outsourced activities also contribute to increasing the exposure to operational risk.

At the regulatory level, to date, the Group measures the capital requirement on operational risk according to the "basic method" envisaged by the prudential supervisory provisions. This methodology consists in applying the 15% "regulatory coefficient" to the relevant indicator defined in Art. 316 of Regulation (EU) no. 575/2013 (CRR).

At management level, the Group has strengthened the organisational and management structure, the relative controls and the reporting methods, adopting an internal system for collecting operational events and implementing a dedicated database. In addition to operational losses, reports also cover operational events with no economic impact.

Based on the scope of definition of operational risk, which also includes exposure to legal risk, and in order to minimize exposure in terms of impact and frequency, the Parent Bank has strengthened its operational risk management oversight through the implementation and monitoring of the Key Risk Indicators (KRI) dashboard and the performance of Risk Self Assessment (RSA) and, finally, the provision of an online training course.

The KRIs are indicators used by the Group to identify in advance the riskiness of typical banking activities. Within the operational risk framework, they represent the forward-looking component of management, as they anticipate potential increases in exposure to operational risk that could threaten the operational continuity of day-to-day activities and existing projects.

The Risk Self Assessment (RSA), on the other hand, provides Group Management with a tool capable of expressing a qualitative assessment of the process risks identified at Group level. Therefore, it allows to identify, classify and measure the identified risks to which the Group is potentially exposed.

Impacts deriving from the COVID-19 pandemic

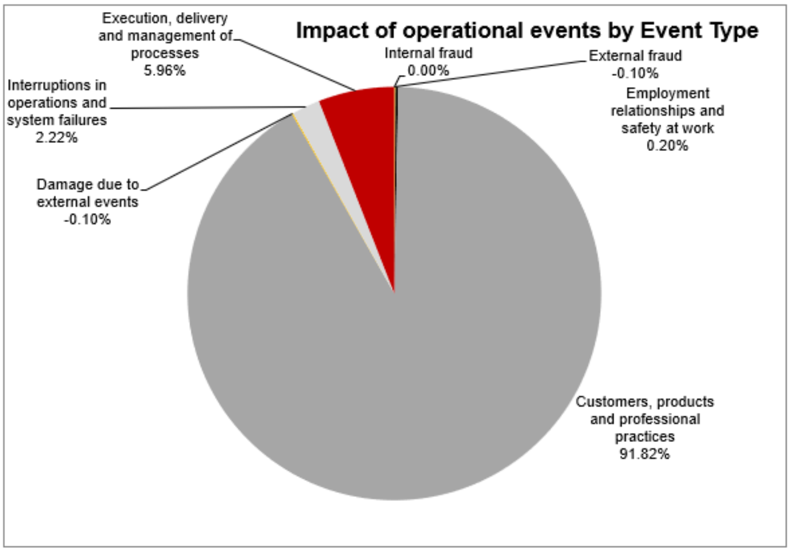
In the *Loss Data Collection* area, the Risk Management Service has monitored operational events also in relation to the extraordinary costs associated with COVID-19.

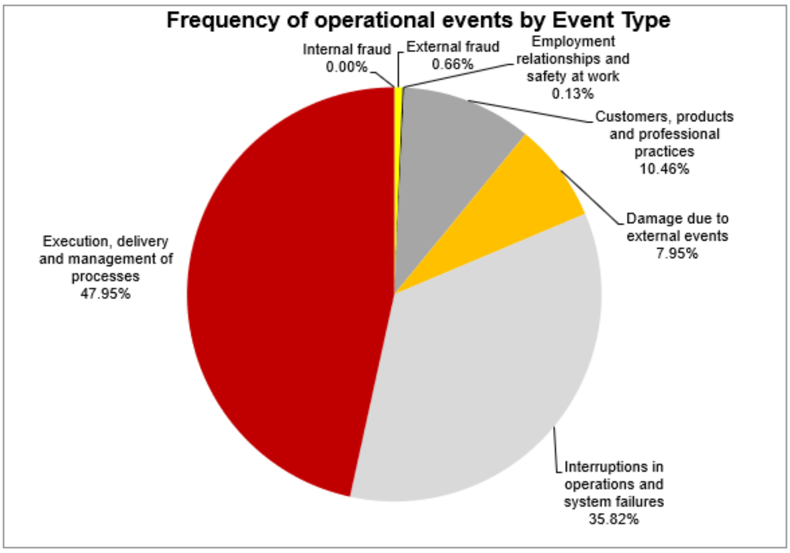
According to EBA indications, starting from 2021, in relation to the pandemic event, only the losses incurred in the face of investments and/or extraordinary events (sanitisation of premises, tests for employees, etc.) are recorded in terms of impact from operational risk. As foreseen by the EBA guidelines, the loss event was classified in Event type 6 (Interruptions in operations and system failures/Systems/System unavailability (not necessarily serious)).

QUANTITATIVE INFORMATION

The following graphs show the distribution by frequency and economic impact of the operational events that did not necessarily generate a loss, recorded in 2021 and broken down into the seven regulatory risk categories.

Event type	2021	
	Frequency	Impact
ET 1 Internal fraud	0	€ -
ET 2 External fraud	5	-€ 6,249
ET 3 Employment relationships and safety at work	1	€ 12,853
ET 4 Customers, products and professional practices	79	€ 5,850,806
ET 5 Damage due to external events	60	-€ 6,355
ET 6 Interruptions in operations and system failures	248	€ 141,426
ET 7 Execution, delivery and management of processes	362	€ 379,669
Total	**755**	**€ 6,372,151**





The breakdown by Event Type shows that the risk classes most impacted in terms of total amount are: "Customers, products and professional practices" which alone accounts for 91.82% of the total amount, and "Execution, delivery and management of processes" with an incidence of 5.96%.

In terms of frequency, on the other hand, the most impacted risk classes are: "Execution, delivery and management of processes" (47.95%) and "Interruptions in operations and system failures" (32.85%).

PUBLIC DISCLOSURE

As required by Bank of Italy Circular no. 285 "Supervisory provisions for banks", it should be noted that the information pertaining to the "Public disclosure" and the "Country-by-country public disclosure" is published on the Parent Bank's website www.caribz.it by the deadline set forth by the law.

SPARKASSE
CASSA DI RISPARMIO

Part F - Information on Consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

A. Qualitative information

The notion of Shareholders' Equity is used in reference to the share capital and the share premium, net of the reserves for treasury shares repurchased, to the profit and other reserves, including those from valuation, and includes the net profit/loss for the year.

The Group has always paid attention to the management of own capital, through the set of policies and choices necessary so that, through the optimal combination of different capitalisation instruments, the size of the capital is defined so as to ensure that the capital requirements of the Group comply with the limits imposed by regulations and are consistent with the assumed risk profile.

B. Quantitative information

B.1 Consolidated accounting capital: breakdown by type of company

Shareholders' Equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation eliminations and adjustments	Total 31.12.2021
1. Share capital	469,330		10		469,340
2. Share premiums	151,257		2		151,259
3. Reserves	131,978				131,978
3.5 Interim dividends					
4. Equity instruments	45,228				45,228
5. (Treasury shares)	(7,327)				(7,327)
6. Valuation reserves	6,449				6,449
- Equity securities designated at fair value through other comprehensive income	3,028				3,028
- Hedging of equity securities designated at fair value through other comprehensive income					
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(392)				(392)
- Property, plant and equipment	40,380				40,380
- Intangible assets					
- Foreign investment hedges					
- Cash flow hedges					
- Hedging instruments (non-designated elements)					
- Exchange rate differences					
-Non-current assets and groups of assets held for sale					
- Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)					
- Actuarial gains (losses) relating to defined benefit plans	(38,695)				(38,695)
- Portions of valuation reserves of equity-accounted investments					
- Special revaluation laws	2,128				2,128
7. Profit (loss) for the year (+/-) attributable to the group and minority interests	72,609				72,609
Total	**869,524**		**12**		**869,536**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	Prudential consolidation		Insurance companies		Other companies		Elimination and consolidation 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	20	(412)							20	(412)
2. Equity securities	5,113	(2,085)							5,113	(2,085)
3. Loans										
Total 31.12.2021	**5,133**	**(2,497)**							**5,133**	**(2,497)**
Total 31.12.2020	**30,957**	**(1,709)**							**30,957**	**(1,709)**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	**285**	**28,963**	
2. Positive changes	**424**	**7,426**	
2.1 Fair value increases	22	4,882	
2.2 Value adjustments for credit risk	72	X	
2.3 Reversal to the income statement of negative realised reserves		X	
2.4 Transfers to other components of shareholders' equity (equity securities)		506	
2.5 Other changes	330	2,038	
3. Negative changes	**(1,101)**	**(33,361)**	
3.1 Fair value reductions	(672)	(1,168)	
3.2 Write-backs for credit risk	(16)		
3.3 Reversal to the income statement from positive reserves: realised	(403)	X	
3.4 Transfers to other components of shareholders' equity (equity securities)		(31,658)	
3.5 Other changes	(10)	(535)	
4. Closing balance	**(392)**	**3,028**	

B.4 Valuation reserves relating to defined benefit plans: annual changes

Assets/Values	Reserve
1. Opening balance	**(40,434)**
2. Positive changes	**2,879**
2.1 Actuarial gains relating to defined benefit plans	1,805
2.2 Other changes	1,074
2.3 Business combinations	
3. Negative changes	**(1,140)**
3.1 Actuarial losses relating to defined benefit plans	(41)
3.2 Other changes	(1,099)
3.3 Business combinations	
4. Closing balance	**(38,695)**

The amounts under "Other changes", as increases and decreases, refer respectively to deferred taxes calculated on the allocation and to the actual return of investments for positive changes, and to the interest cost of the underlying management for negative changes.

The actuarial gains or losses referring to the defined benefit plan are shown in point 3.1 of the table.

For further details on the discounting assumptions applied, please refer to Section 10 of Liabilities.

Section 2 - Own funds and bank supervisory ratios

2.1 Scope of application of the legislation

On 1 January 2014, the new harmonised regulations for banks and investment companies contained in Regulation (EU) no. 575 (CRR - Capital Requirements Regulation) of 26.06.2013 and in Directive (EU) no. 36 (CRD IV - Capital Requirements Directive) of 26.06.2013 which transpose in the European Union the standards defined by the Basel Committee for banking supervision (known as Basel 3) entered into force.

As part of a complex process of reviewing the supervisory regulations of banks, the Bank of Italy issued Circular no. 285 "Supervisory provisions for banks" of 17 December 2013, which almost entirely replaces Circular no. 263/2006, and with which:

- the national options set out in the CRR were exercised,
- the secondary technical provisions of CRD IV were transposed.

On the same date, the Bank of Italy also issued Circular no. 286 "Instructions for the compilation of prudential reports for banks and real estate brokerage companies" which replaces Circular no. 155/1991 and defines the reporting formats:

- of "harmonised" prudential supervisory reports in compliance with the relevant EBA technical standards: own funds, credit and counterparty risk, market risk, operational risk, large exposures, recognition of mortgage losses, overall capital position, liquidity monitoring and financial leverage;
- of "non-harmonised" prudential supervisory reports: related parties.

On 7 October 2016, the 18th update of the "supervisory provisions for banks" pursuant to Circular no. 285 of 17 December 2013 was published on the official website of the Bank of Italy itself.

The above-mentioned update concerned the amendment of the capital conservation buffer (CCB) requirement set forth in Part One, Title II, Chapter I, Section II of the Circular in question in order to transpose the provisions contained in the EU Directive no. 36/2013 (CRD IV) as well as to reduce the divergences between national regulations, in line with the action initiated by the Single Supervisory Mechanism (SSM) to minimize the differences in the prudential regulations applicable to banks.

This regulatory measure provides that banks, at both individual and consolidated level, are required to apply a minimum capital buffer ratio of:

- 1.25% from 1 January 2017 to 31 December 2017;
- 1.875% from 1 January 2018 to 31 December 2018;
- 2.5% from 1 January 2019.

This update entered into force on 1 January 2017.

The minimum capital ratios to be complied with for 2021, pursuant to Art. 92 CRR, are therefore the following:

- Common Equity Tier 1 capital ratio (CET1 ratio) of 4.5% + 2.5% of the Capital Conservation Buffer (CCB)
- Tier 1 capital ratio of 6.0% + 2.5% of CCB
- Total capital ratio of 8% + 2.5% of CCB.

On 29 March 2021, the Bank of Italy informed the Cassa di Risparmio di Bolzano Group that, taking into account the overall assessment elements available to the Supervisory Authority on the business situation of the banking group, it decided not to adopt a new capital decision as a result of the 2020 SREP cycle.

Therefore, the notification of the decision on the minimum prudential requirements to be complied with on a consolidated basis for the year 2020, which was received on 23.03.2020 from the Bank of Italy at the end of the annual Supervisory Review and Evaluation Process (SREP), remains valid.

In particular, the Cassa di Risparmio di Bolzano Group will be required to continuously comply with the following capital requirements at consolidated level, without prejudice to compliance with the minimum capital requirement set forth in Art. 92 of Regulation (EU) no. 575/2013:

- Common Equity Tier 1 capital ratio (CET 1 ratio) of **7.45%**, consisting of a binding measure of 4.95% (of which 4.50% against the minimum regulatory requirements and 0.45% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;

- Tier 1 capital ratio (Tier 1 ratio) of **9.10%**, consisting of a binding measure of 6.60% (of which 6.00% against minimum regulatory requirements and 0.60% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;
- Total capital ratio of **11.30%**, consisting of a binding measure of 8.80% (of which 8.00% against the minimum regulatory requirements and 0.80% against the additional requirements determined as a result of the SREP) and the remainder of the capital conservation buffer.

These capital ratios correspond to the "overall capital requirements ratios", as defined by the EBA/GL/2014/13 Guidelines.

As a result of the entry into force of IFRS 9, a revision of the prudential rules (CRD/CRR) for the calculation of capital absorption was also envisaged. In this regard, Regulation (EU) 2017/2395 published on 27 December 2017 envisages, as an option, the possibility for financial institutions to adopt a transitional regime where they can reinstate to CET1 the adjustments resulting from the adoption of the impairment model of the new standard, with a "phase-in" mechanism over a period of 5 years starting from 2018; the Bank has adopted the transitional regime (static approach) to measure the impacts of the new standard on regulatory capital. The option for the transitional regime sets forth that the higher allocations deriving from the first application of the standard, net of the tax effect, are excluded from the calculation of prudential requirements, according to a decreasing weighting factor (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022).

With reference to 31 December 2021, it should be noted that the non-application of the transitional regime envisaged by Art. 473-bis of Regulation (EU) no. 575/2013, would have led to a (negative) impact of -54 bps on CET 1.

It should also be noted that the Sparkasse Group, on 10 December 2020, forwarded a specific request to the Bank of Italy aimed at obtaining authorisation for the full application of the transitional provisions on IFRS 9 provided for in Art. 473-bis of Regulation (EU) 575/2013 (CRR), as amended by Regulation (EU) 873/2020 of 24 June 2020. Specifically, the authorisation concerns the application of the transitional regime on expected credit losses calculated in accordance with IFRS 9.

By means of a provision of 23 December 2020, the Bank of Italy authorised the Cassa di Risparmio di Bolzano Group to fully apply the above provisions on a separate and consolidated basis.

A. Qualitative information

1. Common Equity Tier 1 capital - CET 1

Common Equity Tier 1 capital is composed of the following positive and negative items:

a. capital
b. share premiums
c. profit reserves and reserves under special revaluation laws
d. valuation reserves in the statement of comprehensive income (OCI)
e. loss for the year
f. portions of profit for the year allocated to reserves
g. any "treasury shares"
h. intangible assets and goodwill
i. deferred tax assets (DTA) to carry forward for tax losses

net of prudential filters and regulatory deductions.

2. Additional Tier 1 capital (AT1)

The AT1 category generally includes equity instruments other than common ordinary shares that meet the regulatory requirements for inclusion of Own funds in this tier of capital.

Additional Tier 1 capital includes the following "perpetual" convertible subordinated liabilities, issued by the Parent Bank at the time of the share capital increase completed in December 2015:

ISIN	Description	Interest rate	Date of issue	Expiry date	Early repayment from	Nominal amount in euro
IT0005136764	CrBz Perpetual convertible	5.50% (in the first five years) 4.674% (in the second five years)*	21.12.2015	perpetual	21.12.2020	45,200,000

*on 21 December 2020, the interest rate was recalculated as required by the Issuance Regulation for the next 5 years on the basis of the 5-year Eur mid-swap rate *increased by the initial margin of 513* basis points.

3. Tier 2 capital (T2)

Tier 2 capital is composed of:

- the Tier II convertible subordinated liabilities (Lower Tier II - Callable) at a fixed rate, issued at the time of the capital increase concluded in December 2015;
- the Lower Tier II subordinated liabilities issued on 29 December 2017 for a nominal amount of Euro 5 million;
- the Lower Tier II subordinated liabilities issued on 27 September 2018 for a nominal amount of Euro 20 million.

The following table summarises the main characteristics of the issues:

ISIN	Nom. amount in euro	Carrying amount	Date of issue	Expiry date	Interest rate	Contribution to Own Funds
IT0005136756	363,700	337,411	21.12.2015	21.12.2025	Fixed rate at 3.0% until 21.12.2020; for the next 5 years equal to 2.174%*	289,008
IT0005320129	5,000,000	5,001,433	29.12.2017	29.12.2024	Fixed rate at 5.75% for the entire duration of the loan	2,993,979
IT0005345274	20,000,000	18,441,302	27.09.2018	27.09.2028	Fixed rate at 6.00% for the entire duration of the loan	20,000,000

*on 21 December 2020, the interest rate was recalculated as required by the Issuance Regulation for the next 5 years on the basis of the 5-year Euro mid-swap rate increased by the initial margin of 263 basis points.

Following the authorisation request sent on 22 September 2021 to the Bank of Italy, in accordance with Articles 77 and 78 of Regulation (EU) no. 575/2013 CRR and Article 29 of Regulation (EU) no. 241/2014, with the partial repurchase of instruments eligible for inclusion in Tier 1 and Tier 2 capital, and the subsequent authorisation measure received by the Parent Bank on 25 October 2021, the latter is authorised for a partial repurchase of Tier 2 bonds for a maximum ceiling of Euro 0.5 million.

B. Quantitative information

	31.12.2021	31.12.2020
A. Common Equity Tier 1 (CET1) before the application of prudential filters	801,360	724,423
of which CET1 instruments subject to transitional provisions		
B. Prudential filters of CET1 (+/-)	(699)	334
C. CET1 gross of the elements to be deducted and the effects of the transitional regime (A+/-B)	800,660	724,757
D. Elements to be deducted off CET1	(8,799)	(6,743)
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	31,633	44,430
F. Total Common Equity Tier 1 capital (CET1) (C-D +/-E)	**823,494**	**762,443**
G. Additional Tier 1 (AT1) gross of the elements to be deducted and the effects of the transitional regime	45,200	45,200
of which AT1 instruments subject to transitional provisions		
H. Elements to be deducted off AT1		
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to transitional provisions		
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**45,200**	**45,200**
M. Tier 2 capital (T2) gross of the elements to be deducted and the effects of the transitional regime	22,783	23,545
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted off T2		
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to transitional provisions		
P. Total Tier 2 capital (T2) (M - N +/- O)	22,783	**23,545**
Q. Total own funds (F + L + P)	**891,477**	**831,188**

2.2 Capital adequacy

A. Qualitative information

The Group reviews the aggregates of "Own funds" on a quarterly basis in order to verify their consistency with the assumed risk profile and the adequacy with respect to current and future development plans.

This monitoring is carried out both from a supervisory perspective and for the purposes of determining the free capital, which at the closing date of 31 December 2021 amounted to Euro 448.2 million.

B. Quantitative information

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
A. RISK ASSETS				
A.1 Credit and counterparty risk	**14,481,362**	**13,148,990**	**4,950,611**	**4,989,681**
1. Standardised approach	14,472,087	13,137,911	4,938,052	4,974,681
2. Methodology based on internal ratings				
2.1 Basis				
2.2 Advanced				
3. Securitisations	9,275	11,079	12,559	15,001
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**395,044**	**397,974**
B.2 Credit valuation adjustment risk			**4,162**	**661**
B.3 Settlement risk				
B.4 Market risks			**7,239**	**7,477**
1. Standard methodology			7,239	7,477
2. Internal models				
3. Concentration risk				
B.5 Operational risk			**35,829**	**33,891**
1. Basic method			35,829	33,891
2. Standardised approach				
3. Advanced method				
B.6 Other calculation elements			**1,005**	**1,200**
B.7 Total prudential requirements			**443,278**	**441,203**
C. RISK ASSETS AND REGULATORY COEFFICIENTS				
C.1 Risk-weighted assets			**5,540,973**	**5,515,042**
C.2 Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)			14.86%	13.83%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			15.68%	14.64%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			16.09%	15.07%

The table shows in detail the items that contribute to the quantification of "Risk-weighted assets" for the purposes of calculating "Solvency ratios" as regulated by the Basel III regulation introduced as from 1 January 2014.

In the context of the emergency linked to COVID-19, the new Regulation (EU) 2020/873 ("Regulation 873"), approved by the European Parliament, on a proposal by the European Commission, is of specific relevance, with the aim of providing a direct intervention tool to support the real economy.

Specifically, the aforementioned measure, which came into force on 27 June 2020, amends:

- Regulation (EU) no. 575/2013 on the capital requirements of banks ("Regulation 575" or "CRR");
- Regulation (EU) no. 2019/876, which amends Regulation 575 substantially by introducing new regulations on prudential supervision for banks ("Regulation 876" or "CRR II").

The "support" adjustment factor of 0.7619 to be used to reduce the risk-weighted value of exposures to SMEs and the counterparty risk capital requirement Credit Value Adjustment (CVA) have been updated, maintaining the value of 0.7619 for exposures up to EUR 2.5 million and increasing it to 0.85 for exposures above EUR 2.5 million.

Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1 Business combinations

No business combinations were carried out during the year.

Section 2 - Transactions carried out after the end of the year

2.1 Business combinations

No business combinations were carried out after the end of the year.

Section 3 - Retrospective adjustments

3.1 Business combinations

With reference to the provisions of IFRS 3 par. 61, 62 and 63, it should be noted that there were no changes in the values recorded in the previous year.

Part H - Related party transactions

1. Information on the remuneration of key management personnel

The total remuneration paid during the year to the Directors, the members of the Boards of Statutory Auditors of the Group companies and the members of the Settlement Committee of the company Raetia sgr spa in liquidation amounted to Euro 1,298 thousand (the amount includes the fees paid by way of attendance fees); those paid to executives of the same companies totalled Euro 5,754 thousand, of which Euro 5,149 thousand to key management personnel.

In accordance with the provisions of IAS 24 §17, the following information is provided on the remuneration of key management personnel, in total and broken down into each of the following categories:

Categories	Amount in thousands of euro
Short-term employee benefits	5,149
Post-employment benefits	
Other long-term benefits	
Benefits due to employees for termination of employment	
Share-based payments	
Total	**5,149**

2. Information on related party transactions

Related parties were identified as defined by IAS 24.

According to this standard, the "related party" is a person or an entity that is related to the reporting entity according to the following definitions:

a. a person or a close family member of that person is related to a reporting entity if that person:
   i. has control or joint control of the reporting entity;
   ii. has a significant influence on the reporting entity;
   iii. is one of the key management personnel of the reporting entity or of one of its parent companies.

b. an entity is related to a reporting entity if any of the following conditions apply:
   i. the entity and the reporting entity are part of the same group (which means that each Parent Bank, subsidiary and group company is related to the others);
   ii. an entity is an associate or a joint venture of the other entity (or an associate or a joint venture that is part of a group of which the other entity is part);
   iii. both entities are joint ventures of the same third party;
   iv. an entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v. the entity is represented by a plan for post-employment benefits in favour of the employees of the reporting entity or of an entity related to it. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   vi. the entity is controlled or jointly controlled by a person identified in point a);
   vii. a person identified in point a) (i) has a significant influence on the entity or is one of the key management personnel of the entity (or of one of its parent companies).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a consideration has been agreed.

Given the above:

- among the key management personnel as per point a) iii. includes members of the Management Bodies, Boards of Statutory Auditors and Top Management of the companies included in the scope of consolidation, and of the parent bank, their close relatives and companies controlled or jointly controlled by them;

- among the parties belonging to the Group, according to the definition in point b) i., the Cassa di Risparmio di Bolzano Foundation is included in its capacity as parent related party, while transactions with subsidiaries are excluded, as they are subject to intra-group elision.

Related party transactions are governed by market conditions.

The table below summarizes the total credit, debit and guarantees/commitments entered into at the reporting date with the above-mentioned related parties.

(in thousands of Euro)

Related parties	Assets	Liabilities	Guarantees/Commitments
Parent Bank		20,274	
Subsidiaries, associates		166	
Other related parties	21,979	62,257	5,758
Total	21,979	**82,697**	**5,758**

During the year, no specific allocations were made for losses on receivables from "Other related parties".

Please note that the amounts of liabilities shown in this table include payables for leases, in accordance with IFRS 16, to the extent of Euro 3,446 thousand due to the parent Fondazione Cassa di Risparmio and Euro 161 thousand due to the associate Autosystem società di servizi S.p.A..

Part L - Segment reporting

To represent the "Segment reporting", as required by international accounting standard IFRS 8, the Group has identified and uses the "business segment".

The segmentation model of economic and financial data is comprised of five business segments:

- the Business Unit - Commercial Banking;
- the Business Unit - Corporate Banking.
- the Business Unit - Private Banking;
- the Business Unit - Finance/Treasury;
- the Business Unit - Real Estate;
- the Business Unit - Corporate Center.

The "Corporate Center" Business Unit refers to the central structure and to the lending and funding activities managed by this structure.

A.1 Breakdown by business segment: economic data

Economic data (in millions of Euro)	BU Commercial Banking	BU Corporate Banking	BU Private Banking	BU Treasury	BU Real Estate	BU Gen. Man. Other	Elisions	Total
Net interest income	60.3	22.4	0.6	47.3	0.1	18.0	0.7	149.4
Net fee and commission income	71.2	9.6	8.5	(0.0)	0.0	4.7	0.0	94.0
Financial margin	0.0	0.0	0.0	26.4	0.1	12.5	(11.0)	28.0
Net interest and other banking income	**131.5**	**32.0**	**9.1**	**73.7**	**0.1**	**35.2**	**(10.3)**	**271.3**
Net value adjustments to loans and financial transactions	(13.8)	7.7	0.0	0.2	(0.3)	(4.6)	0.0	(10.7)
Gains/losses on modification without derecognition	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Net income from financial management	**117.7**	**39.7**	**9.1**	**74.0**	**(0.1)**	**30.5**	**(10.3)**	**260.5**
Administrative expenses	(85.5)	(7.3)	(4.0)	(1.4)	(6.4)	(64.5)	2.0	(167.1)
Net allocations to provisions for risks and charges	0.0	0.0	0.0	0.0	0.1	(2.3)	(0.1)	(2.3)
Net value adjustments to property, plant and equipment and intangible assets	(4.6)	(0.6)	(0.1)	(0.1)	(0.3)	(14.6)	4.4	(15.9)
Other operating income/expenses	0.2	0.0	0.0	4.1	12.7	10.4	(9.8)	17.6
Operating costs	**(89.9)**	**(7.9)**	**(4.1)**	**2.6**	**6.0**	**(70.9)**	**(3.5)**	**(167.6)**
Gains/(losses) on equity investments	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Adjustment of goodwill and gains/losses on disposals	0.0	0.0	0.0	0.0	2.4	(0.0)	0.1	2.4
Capital gain on property, plant and equipment at fair value	0.0	0.0	0.0	0.0	(0.1)	0.0	(2.3)	(2.4)
Profit from current operations before tax	**27.8**	**31.8**	**5.0**	**76.6**	**8.2**	**(40.4)**	**(16.0)**	**93.3**

A.2 Breakdown by business segment: balance sheet data

Balance sheet data (in millions of Euro)	BU Commercial Banking	BU Corporate Banking	BU Private Banking	BU Treasury	BU Real Estate	BU Gen. Man. Other	Elisions	Total
Loans to customers	4,618	1,962	20	0	1	47	(0)	6,649
Loans to banks				477	39	18	(39)	495
Customer deposits, outstanding securities, financial liabilities	5,418	857	364	19	0	1,195	(79)	7,775
Bank funding				2,152	0	183	0	2,336
Financial assets				3,571	4	96	0	3,671
Fixed assets				106	279		(50)	335
Equity investments				0		265	(258)	6
Total	**10,036**	**2,819**	**384**	**6,325**	**323**	**1,805**	**(426)**	**21,266**

Part M - Information on leases

SECTION 1 - LESSEE

Qualitative information

IFRS 16 "Lease", applicable from 1 January 2019, replaces the previous IAS 17 and the related interpretations impacting the definition of lease and overcoming, for the lessee, the accounting dualism between finance leases and operating leases. With reference to the accounting model to be applied by the lessee, the new standard provides that, for all types of lease, an asset representing the right of use ("right of use") of the leased asset must be recognised, and, at the same time, the payable relating to the lease payments. There was also a change in the method of recognising the income statement items: while under IAS 17 lease payments were posted to the item "Administrative expenses", under IFRS 16 the charges relating to the depreciation of the "right of use" and interest expense on the debt are recognised.

On the other hand, there are no substantial changes, apart from some major requirements for disclosure, in the accounting of leases by lessors, where the distinction between operating leases and finance leases is maintained. It should also be noted that based on the requirements of IFRS 16 and the clarifications of IFRIC ("Cloud Computing Arrangements" document of September 2018), software is excluded from the scope of application of IFRS 16; these are therefore accounted for in accordance with IAS 38 and the related requirements. Starting from 1 January 2019, the effects on the financial statements resulting from the application of IFRS 16 are identifiable for the lessee, with the same final profitability and cash flows, in an increase in assets recorded in the financial statements (leased assets), an increase in liabilities (the payable for leased assets), a reduction in administrative expenses (lease payments) and a simultaneous increase in financial costs (the remuneration of the recognised payable) and depreciation (relating to the right of use). With reference to the income statement, considering the entire duration of the contracts, the economic impact does not change in the time horizon of the lease both by applying the previous IAS 17 and by applying the new IFRS 16, but shows a different time breakdown.

Quantitative information

For the amounts at 31 December 2021, please refer to the individual tables of Assets, Liabilities and Income Statement of these Notes, where the impacts of the rights of use acquired through the lease and the related financial payables, and, in the income statement, the impacts on the interest expense and depreciation are visible for each item.

3. Operating lease

3.1 Classification by time brackets of payments to be received

Time brackets	Total 31.12.2021	Total 31.12.2020
	Payments to be received for leases	Payments to be received for leases
Up to 1 year	2,462	2,179
Over 1 year up to 2 years	2,310	1,868
Over 2 years up to 3 years	2,206	1,716
Over 3 years up to 4 years	2,018	1,577
Over 4 years up to 5 years	1,582	1,360
Over 5 years	3,398	2,477
Total	**13,976**	**11,178**

This table provides quantitative information on the undiscounted amount of payments to be received for leases, broken down by time brackets.

Annexes to the Notes to the Financial Statements

Annex 1

STATEMENT OF FEES FOR THE YEAR PAID BY THE GROUP FOR THE SERVICES PROVIDED BY THE INDEPENDENT AUDITORS OR BY THE ENTITIES OF THE COMPANY'S NETWORK

(Article 38, paragraph 1, letter o-septies) of Italian Legislative Decree 127/91 and Article 149-duodecies of the implementing Consob Regulation)

Figures in thousands of Euro

	31.12.2021
Audit services	195
Other services	94
Total	**289**

The considerations are expressed net of VAT and ancillary expenses.

Audit services also include the costs associated with the drafting of the "comfort letter", i.e. the audit of the financial statements.

Annex 2

DISCLOSURE PURSUANT TO LAW 124 OF 4 AUGUST 2017

Paragraph 125 of Law 124 of 4 August 2017 introduced, starting from the 2018 financial year, the obligation for companies that receive grants, contributions, paid assignments and in any case economic benefits of any kind from public administrations and the entities referred to in the first sentence of the same paragraph, to publish these amounts in the notes to the financial statements and in the notes to any consolidated financial statements.

Paragraph 126 of Law 124/2017 of 4 August 2017 extended the publication obligations pursuant to Art. 26 of Legislative Decree no. 3334 of 14 March 2013, also to entities and companies controlled de jure or de facto, directly or indirectly, by the State administrations, through publication in their annual accounting documents, in the notes to the financial statements. Failure to comply with this obligation entails a penalty equal to the amounts paid.

In order to avoid the accumulation of irrelevant information, the obligation of publication pursuant to paragraphs 125 and 126 does not apply if the amount of grants, contributions, paid assignments and in any case the economic benefits of any kind received by the subject beneficiary is less than Euro 10,000 in the period in question.

It should be noted that the Parent Bank Cassa di Risparmio di Bolzano performs, mainly on behalf of the Autonomous Province of Bolzano and other local public bodies, paid services subject to invoicing and accounting reporting that are not considered to be under the obligation of publication set forth in the Law 124/2017 and therefore are not included in the summary table below.

Name of the recipient	Tax Code of the recipient	Name of the provider	Amount collected	Collection date	Reason
Cassa di Risparmio di Bolzano S.p.A.	00152980215	Insurance Banks Fund	81	27.05.2021	Training plan Protocol no. 01190400002 FBA Fund notice 01/19 "The Bank's role in protecting savings, in the interest of families, businesses and the local area"

The Group was also the subject of State aid and *de-minimis* aid by Public Administrations, contained in the National Register of State Aids, to which Register reference is made for details.

Independent Auditors' Report on the Consolidated Financial Statements

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa di Risparmio di Bolzano S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa di Risparmio di Bolzano S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity and consolidated cash flows statement for the year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Cassa di Risparmio di Bolzano S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Classification and valuation of loans to costumers measured at amortised cost	
Description of the key aspect of the review	As highlighted in Board of Directors' Report on Group operations–"The Group's position" and in the notes to the consolidated financial statements Part B - Information on the Consolidated balance sheet and Part E – Information on risks and related hedging policies of the Consolidated Financial Statements as at December 31, 2021, the financial assets measured at amortized cost include loans to customers having a gross carrying amount of 6,449 million Euro (of which 257.2 million Euro of non-performing loans). Value adjustments of Euro 200 million have been set aside for the aforementioned loans (of which Euro 173.2 million of non-performing loans). Part A of the Notes to the Consolidated Financial Statements describes the rules for classifying loans to customers into homogeneous risk categories adopted by the Group in compliance with sector legislation, integrated by the internal policies that define the rules for classifying and transferring within those categories, and also the criteria of determining the recoverable amount. In particular, the Group has used processes, valuation methods and estimation processes of some variables, such as, mainly, the expected cash flows, the expected recovery times, the presumed realization value of the guarantees, characterized by subjectivity's elements. These estimation processes, in the year ended December 31, 2021, were still particularly complex in consideration of the current macroeconomic scenario connected with the Covid-19 health emergency which requested, as also defined in the communications of the Supervisory Authorities and the standard setters, the updating of the valuation credit processes and methodologies with particular reference to the determination of SICR (Significant Increase in Credit risk) and the reasonableness of forward looking information used in the definition of expected macroeconomic scenarios for the determination of Expected Credit Loss (ECL). Considering the significance of the amount of loans to customers recorded in the financial statements, the complexity of the estimation process adopted by the Directors and the circumstances connected with the current pandemic emergency situation which have made it particularly critical and exposed to further elements of subjectivity, the identification of exposures which have significantly increased credit risk and the subsequent classification in stages in accordance with the accounting standard IFRS 9, we considered the classification and valuation of the loans of customers and the related process of impairment were a key audit matter of the Consolidated Financial Statements of Cassa di Risparmio di Bolzano Group as at December 31, 2021.
Review procedures performed	The main procedures carried out as part of our audit work were as follows: • analysis of the credit process with particular reference to the recognition and understanding of the organizational and procedural safeguards adopted by the Group to ensure the credit quality's monitoring and the correct classification and valuation in compliance with the applicable accounting standards and the sector regulation;

- analysis and understanding of the IT systems and applications used and checking the operating effectiveness of the key controls, as well as verification of the correct feeding and management of the database, also with the support of the IT specialists of the Deloitte network;

- check the implementation of business procedures and processes, and checking the operating effectiveness of the key controls in relation to the loans to customers' classification and valuation;

- understand of the methods and verify the reasonableness of the valuation criteria and of the assumptions adopted by the Group for the purpose of determining the recoverable amount of the loans to customers;

- understand and check the credit risk calculation's models, and their significant updates, adopted by the Group to determine the impairment losses, and check the reasonable of the estimates and assumptions used by the Directors in the definition of the macroeconomic scenarios used for the determination of expected losses, taking into account also the complexity and uncertainties associated with the current context resulting from the Covid 19 health emergency;

- check, on a sample basis, the loans to customers' classification and valuation in accordance with the categories defined by the financial and regulatory reporting framework;

- check the completeness and the compliance of the disclosures provided in the Group financial statements in accordance with the regulatory framework and applicable accounting standards, as well as the contents of the communications issued by the Supervisory Authorities following the Covid-19 pandemic emergency.

Responsibilities of the Directors and the Board of Statutory Auditors 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 International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company Cassa di Risparmio di Bolzano S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 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 management's 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 auditor's 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 auditor's 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 an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa di Risparmio di Bolzano S.p.A. has appointed us on April 10, 2018 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Cassa di Risparmio di Bolzano S.p.A. are responsible for the preparation of the report on Group operations of Cassa di Risparmio di Bolzano Group as at December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Cassa di Risparmio di Bolzano Group as at December 31, 2021 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Cassa di Risparmio di Bolzano Group as at December 31, 2021 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa di Risparmio di Bolzano S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Adriano Petterle
Partner

Treviso, Italy
March 29, 2022