Cassa Centrale Group

Consolidated half-yearly financial report

as at 30 June 2022

GRUPPO CASSA CENTRALE
CREDITO COOPERATIVO ITALIANO

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2

Cassa Centrale Banca Credito Cooperativo Italiano
Cooperative Banking Group

Consolidated half-yearly financial report

as at 30 June 2022

This “Consolidated half-yearly financial report” (hereinafter also the “half-yearly financial report”) consists of the interim report on consolidated operations and the condensed consolidated half-yearly financial statements (also the “Consolidated financial statements”). The explanatory notes to the consolidated financial statements were produced making reference to the structure of the Explanatory Notes to the Consolidated Financial Statements provided by Bank of Italy Circular no. 262 of 22 December 2005 but, as they refer to the condensed half-yearly financial statements, are more limited in scope.

For ease of consultation the numbering provided for in the aforementioned Circular has been maintained, even though certain parts, sections or tables may be omitted for the reasons noted above.

The tables of the Consolidated Financial Statements provide accounting data as at 30 June 2022 and comparative data relative to the corresponding period of the previous year, with the exception of the Balance Sheet which is compared with the most recently approved financial statements as at 31 December 2021.

Sommario

01 Composition of the corporate bodies and officers 5

Cassa Centrale Banca list of shareholders 6

Corporate officers and independent auditors 10

02 Interim Report on Consolidated Operations and Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group 13

Interim Report on Consolidated Operations of the Cassa Centrale Group 14

Composition of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group 15

Economic background 24

Significant events in the first six months of the year 27

Operating performance of the Cassa Centrale Group 44

Main strategic business areas of the Cassa Centrale Group 66

Risk management and internal control system 89

Human Resources 122

Other information on operations 128

Significant events occurred after the end of the half year 137

Business outlook 138

Condensed Consolidated Half-Yearly Financial Statements of theCassa Centrale Group 139

Consolidated financial statements 139

Consolidated balance sheet 140

Consolidated income statement 142

Statement of consolidated comprehensive income 144

Statement of changes in consolidated equity as at 30/06/2022 146

Statement of changes in consolidated equity as at 30/06/2021 147

Consolidated cash flow statement 148

Condensed Consolidated Half-Yearly Financial Statements of theCassa Centrale Group 150

EXPLANATORY NOTES 150

PART A - Accounting policies 151

PART B - Information on the consolidated balance sheet 214

PART C - Information on the consolidated Income Statement 249

PART E - Information on risks and related hedging policies 268

PART F - Information on consolidated equity 313

PART H - Transactions with related parties 317

Independent Auditors' Report on the Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group 321

Composition of the corporate bodies and officers

Cassa Centrale Banca list of shareholders

Ordinary shareholders

ASSICURA - S.r.l.
BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO - Cooperative Company
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - Cooperative Company
BANCA CENTRO LAZIO CREDITO COOPERATIVO - Cooperative Company
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - Cooperative Company
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - Cooperative Company
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - Cooperative Company
BANCA DI BOLOGNA CREDITO COOPERATIVO - Cooperative Company
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - Cooperative Company
BANCA DI CREDITO COOPERATIVO - LODI - Cooperative Company
BANCA DI CREDITO COOPERATIVO ABRUZZI E MOLISE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO (PROVINCE OF COSENZA) - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI ANAGNI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI AQUARA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI BARLASSINA (MILAN) - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI BRESCIA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CHERASCO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CONVERSANO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI FLUMERI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SARSINA - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SPELLO E DEL VELINO - Cooperative Company

BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - Cooperative Company

BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - Cooperative Company

BANCA LAZIO NORD CREDITO COOPERATIVO - Cooperative Company

BANCA MALATESTIANA - CREDITO COOPERATIVO - Cooperative Company

BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - Cooperative Company

BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - Cooperative Company

BANCA SICANA CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - Cooperative Company

BANCA TERRITORI DEL MONVISO - CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - Cooperative Company

BANCATER CREDITO COOPERATIVO FVG - Cooperative Company

BANCO MARCHIGIANO Credito Cooperativo - Cooperative Company

BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - Cooperative Company

BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - Cooperative Company

BVR BANCA – BANCHE VENETE RIUNITE - CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - Cooperative Company

CASSA DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA PADANA BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Cooperative Company

CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ALTO GARDA - ROVERETO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE DOLOMITI - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - Cooperative Company

CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE RENON - RAIFFEISENKASSE RITTEN - Cooperative Company

CASSA RURALE ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CAVIT - Cantina Viticoltori Consorzio Cantine Sociali del Trentino - Cooperative Company

CON.SOLIDA - Social Cooperative Company

CONSORZIO LAVORO AMBIENTE - Cooperative Company

CONSORZIO MELINDA - Agricultural Cooperative Company

CORTINABANCA – CREDITO COOPERATIVO - Cooperative Company

CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - Cooperative Company

CREDITO COOPERATIVO CENTRO CALABRIA - Cooperative Company

CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

FEDERAZIONE DEL NORD EST CREDITO COOPERATIVO ITALIANO - Cooperative Company

FEDERAZIONE DELLE BCC DEL FRIULI VENEZIA GIULIA - Cooperative Company

FEDERAZIONE TRENTINA DELLA COOPERAZIONE - Cooperative Company

FONDO COMUNE DELLE CASSE RURALI TRENTINE - Cooperative Company

FRIULOVEST BANCA - CREDITO COOPERATIVO - Cooperative Company

LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - Cooperative Company

PRIMACASSA – CREDITO COOPERATIVO FVG - Cooperative Company

PROMOCOOP TRENTINA - S.p.A.

ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - Cooperative Company

SAIT CONSORZIO DELLE COOPERATIVE DI CONSUMO TRENTINE - Cooperative Company

TRENTINGRANA CONSORZIO DEI CASEIFICI SOCIALI E DEI PRODUTTORI LATTE TRENTINI - Agricultural Cooperative Company

ZKB ZADRUŽNA KRAŠKA BANKA TRST GORICA ZADRUGA ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - Cooperative Company

Preference shareholders

BANCA IFIS - Joint-Stock Company

BANCA POPOLARE ETICA - Cooperative joint-stock company

CAMERA DI COMMERCIO INDUSTRIA AGRICOLTURA E ARTIGIANATO - TRENTO

CASSA RAIFFEISEN BASSA VENOSTA - Cooperative Company

CASSA RAIFFEISEN DELLA VAL PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Cooperative Company

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - Cooperative Company

COOPERATIVA PROVINCIALE GARANZIA FIDI - Cooperative Company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

MEDIOCREDITO TRENTINO-ALTO ADIGE - Joint-Stock Company

PROMOCOOP TRENTINA - S.p.A.

AUTONOMOUS PROVINCE OF TRENTO

Corporate officers and independent auditors

Board of Directors

Giorgio Fracalossi	CHAIRPERSON
Sandro Bolognesi	CHIEF EXECUTIVE OFFICER
Carlo Antiga	ACTING DEPUTY CHAIRPERSON
Enrica Cavalli	DEPUTY CHAIRPERSON
Paola Brighi	DIRECTOR
Isabella Chiodi	DIRECTOR
Carmela Rita D'Aleo	DIRECTOR
Maria Luisa Di Battista	DIRECTOR
Emanuele di Palma	DIRECTOR
Amelio Lulli	DIRECTOR
Enrico Macrì	DIRECTOR
Giorgio Pasolini	DIRECTOR
Claudio Ramsperger	DIRECTOR
Livio Tomatis	DIRECTOR
Roberto Tonca	DIRECTOR

Board of Statutory Auditors

Pierpaolo Singer	CHAIRPERSON
Lara Castelli	STANDING AUDITOR
Mariella Rutigliano	STANDING AUDITOR
Clara Carbone	ALTERNATE AUDITOR
Maurizio Giuseppe Grosso	ALTERNATE AUDITOR

General Management

Sandro Bolognesi	GENERAL MANAGER
Enrico Salvetta	ACTING DEPUTY GENERAL MANAGER

Independent Auditors

DELOITTE & TOUCHE S.p.A.

Executive Committee

Sandro Bolognesi	CHAIRPERSON
Carmela Rita D'Aleo	MEMBER
Claudio Ramsperger	MEMBER
Livio Tomatis	MEMBER
Roberto Tonca	MEMBER

Risks and Sustainability Committee

Maria Luisa Di Battista	CHAIRPERSON
Paola Brighi	MEMBER
Isabella Chiodi	MEMBER
Emanuele di Palma	MEMBER
Giorgio Pasolini	MEMBER

Appointments Committee

Enrico Macrì	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Amelio Lulli	MEMBER

Remuneration Committee

Isabella Chiodi	CHAIRPERSON
Enrico Macrì	MEMBER
Amelio Lulli	MEMBER

Independent Directors Committee

Paola Brighi	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Enrico Macrì	MEMBER

Interim Report on Consolidated Operations and Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group

Interim Report on Consolidated Operations of the Cassa Centrale Group

Composition of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group

The Cooperative Banking Group

On 2 August 2018, the Bank of Italy accepted the request of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. (hereinafter also "Cassa Centrale Banca", "CCB", the "Parent Company" or the "Bank") to establish the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as "Cassa Centrale Group", the "Group", "Cooperative Banking Group" or "GBC") and by resolution of the Directorate of 18 December 2018, the Supervisory Authority ordered the registration of the Cooperative Banking Group in the Register of Banking Groups, with effect from 1 January 2019.

The reform of Cooperative Credit was born from the Italian legislator's desire to strengthen the cooperative credit sector without distorting the local role and mutualistic purpose of the individual BCC-CR-RAIKAs, safeguarding the paradigm that distinguishes them.

In fact, the active participation of the shareholding base, with its stock of cooperative values and knowledge of the regional needs, finds an implementation channel in the Regional Shareholders' Meetings. The affiliated BCCs are broken down into five geographically homogeneous regional groups; each meeting represents not only an opportunity to share strategic projects of relevance to the entire Group, but also the joint responsibility of the partner BCCs in defining the development guidelines that the Banks themselves, under the direction and coordination of the Parent Company, will then be called upon to implement.

The activity of the Cooperative Banking Group in the first half of 2022 was also very focused on implementing the provisions of the Reform Law and subsequent amendments. The drive to combine the value and autonomy of a system of local Banks - expression of the various territories - with the profitability, efficiency, growth and stability of a large Banking Group was particularly important.

Therefore, it is an original development model where difference is a value and local identity a principle.

The basis for the establishment of the Cassa Centrale Group is a contractual relationship between the Parent Company and the individual Affiliated Banks, namely the Cohesion Contract.

By means of the Cohesion Contract (Art. 37-bis of the TUB), the Affiliated Banks and the Parent Company regulate their mutual duties, responsibilities, rights and joint and several guarantees deriving from membership and affiliation with the Cooperative Banking Group, in compliance with the mutualistic aims that characterise Cooperative Credit Banks and in application of the principle of proportionality exercised according to the health status of the Banks themselves (risk-based approach).

The Cohesion Contract provides, as a fundamental and constitutive element of the Group, for the joint and several guarantee of the obligations assumed by the Parent Company and the Affiliated Banks, in compliance with the prudential rules applicable to banking groups and individual member banks; this guarantee forms an integral part of the Cohesion Contract. Participation in the agreement is, in fact, an essential condition for adherence to the Cohesion Contract and therefore to the Cooperative Banking Group

Guidanceuarantee between the Parent Company and the Affiliated Banks is reciprocal (cross-guarantee) and contractually regulated so as to have the effect of qualifying the liabilities of the Parent Company and the Affiliated Banks as joint and several obligations of all the parties to the agreement; in other words, all the Affiliated Banks and the Parent Company are obligated - both internally and externally - for all the obligations contracted by the Parent Company or any Affiliated Bank.

The Guarantee Agreement also provides for intra-group financial support mechanisms by which the members of the scheme provide each other with financial support to ensure solvency and liquidity; in particular, to comply with the prudential requirements and the requests of the Supervisory Authority, as well as to avoid, where necessary, being subject to the resolution procedures set out in Legislative Decree no. 180/2015 or to the compulsory liquidation procedure referred to in Articles 80 et seq. of the TUB.

If there is a need for intra-group financial support, the Parent Company may decide to activate the guarantee. The support initiatives for the Affiliated Banks, both capital and liquidity, necessary to ensure the solvency and liquidity of the individual members of the scheme, are carried out only by the Parent Company, using the financial resources made available by the members in execution of the Guarantee Agreement.

For further details on the guarantee scheme, please refer to the "Report on the guarantee scheme" attached to the separate financial statements of Cassa Centrale Banca in the 2021 annual financial report.

The organisation structure of the Group

The reform of Cooperative Credit allowed to further strengthen the role of local banks typical of Cooperative Credit Banks. The Parent Company's coordination role made it possible to eliminate certain weaknesses in terms of capital or business model that arose well before the Group's operational start-up. The new organisational structure has undoubtedly contributed to the immediate and positive response that the Affiliated Banks have provided to the economic fabric of reference in the particular context of the Covid-19 health crisis.

The corporate governance system of the Parent Company Cassa Centrale Banca is based on the central role played by the Board of Directors, which is responsible for defining the Group's strategic guidelines, on the transparency and collegial nature of management decisions, the effectiveness of the internal control system and the strict governance of potential conflicts of interest.

The Board of Directors consists of 15 directors, of which 10 members of the Cooperative Credit Banks, 4 independent and one non-member of the Italian Cooperative Credit.

With reference to the regulation of potential conflicts of interest, specific documents and processes (regulations, Group policies, line controls, second-level controls, etc.) were introduced in order to monitor the various types of risks related to the particular structure of the Cooperative Banking Group in which the Affiliated Banks, placed under the control of Cassa Centrale Banca by virtue of the Cohesion Contract, are at the same time shareholders of the Parent Company.

As at 30 June 2022, the Cassa Centrale Group consisted of:

- the Parent Company, Cassa Centrale Banca;
- the Affiliated Banks that have adhered to the Cohesion Contract and the companies controlled by them, directly or indirectly;
- the financial and instrumental companies directly and/or indirectly controlled by the Parent Company.

The updated list of companies included in the scope of consolidation of the Cassa Centrale Group is provided in the Explanatory Notes (Part A - Accounting policies, section 3).

Corporate governance

The Cassa Centrale Group, in line with legal and supervisory regulations and in order to ensure an appropriate balance of powers and a precise distinction between the functions of strategic supervision, management and control, has adopted a "traditional" system of governance, based on the distinction between the Board of Directors, which has a guidance and strategic supervision function, and the Board of Statutory Auditors, which has a control function.

Below is an overview of the main corporate bodies with guidance and governance functions. Details of the powers reserved for the control bodies are provided in the chapter called "Risk management and internal control system" in this Report.

Shareholders' Meeting

The Shareholders' Meeting is a deliberative and collective body designed to express the Bank's wishes and to resolve, in line with the dictates of Art. 2364 of the Italian Civil Code and Art. 13 of the Articles of Association, on the following matters:

- the appointment of the members of the Board of Directors, the Board of Statutory Auditors and determination of their compensation and responsibilities;
- the approval of the financial statements and resolution on the allocation and distribution of profits;

- the appointment of the company responsible for externally auditing the accounts upon a reasoned but non-binding proposal by the Board of Statutory Auditors;
- the approval of Remuneration and Incentive Policies for the Bank's Directors, Board of Statutory Auditors and staff, approving any plans based on financial instruments and the criteria for determining the compensation of any Directors and relevant staff in the event of early termination of employment or office;
- the approval and amendment of any shareholders' meeting regulations;
- the other matters assigned to its competence by the regulations in force at the time or by the Articles of Association.

The Board of Directors

The Board of Directors (hereinafter also referred to as the "BoD") is the body responsible for the strategic supervision and management of the company. The Board of Directors of Cassa Centrale Banca consists of 15 members, including 4 Directors who meet the independence requirements, the Chairperson and one or two Deputy Chairpersons (one of whom is the Acting Deputy Chairperson). The directors are chosen, in a number not exceeding 10 from among persons who are members of the Affiliated Banks, i.e. who hold, or who have held in the 2 years prior to taking office, positions in the administrative and control bodies or top management of the Affiliated Banks (including companies and entities in which they have a stake) operating in the Cooperative Credit sector. The Articles of Association assign the strategic supervision function to the Board of Directors, delegating the management function to the Executive Committee and the Chief Executive Officer, which also carries out the functions of the General Manager. The Articles of Association also govern the powers, assignments and areas of competence of the Board of Directors in its collective form that cannot be delegated and, conversely, the functions and areas of competence of the delegated bodies appointed by the Board of Directors.

The Shareholders' Meeting of 30 May 2022 resolved to renew the appointment of the corporate bodies and appointed the 15 members of the Board of Directors and the Board of Statutory Auditors, who will remain in office for the next three years.

Chairperson of the Board of Directors

Pursuant to Circular 285, the Chairperson of the Board of Directors performs a decisive role in ensuring the smooth functioning of the Board of Directors, fostering internal dialectics and ensuring the balance of powers, in line with the tasks relating to the organisation of the Board's work and the circulation of information assigned to it by the Italian Civil Code.

Specifically, the Chairperson of the Board of Directors promotes the effective functioning of the corporate governance system, guaranteeing a balance of powers and acting as liaison with the internal control bodies and internal committees.

To effectively perform the duties of the position, the Chairperson may not have an executive role nor perform management functions.

In the event of absence or incapacity of the Chairperson of the Board of Directors, their functions shall be performed by the Senior Deputy Chairperson or, in the event of their absence or incapacity, by the other Deputy Chairperson. Before third parties the signature of the person replacing the Chairperson of the Board of Directors shall stand as evidence of their absence or incapacity.

Executive Committee

The Executive Committee, appointed by the Board of Director in the meeting of 30 May 2022, consisted of the Chief Executive Officer and four Directors. Within the framework of the powers that the law and the Articles of Association do not reserve to the Board of Directors or to the Chief Executive Officer, the following matters are delegated to the Executive Committee:

- granting, classification and assessment of loans;
- real-estate transactions;
- issuing of debt instruments and transactions in financial instruments;
- implementation of corporate governance and risk management policies;
- internal organisation of the Company and the Cooperative Banking Group.

The Executive Committee also has the power to take in urgent circumstances decisions within the competence of the Board of Directors that are not reserved by law, by the Articles of Association or by provisions of the Cohesion Contract to the non-delegable competence of the Board of Directors, informing it in the next meeting.

Chief Executive Officer

The Board of Directors may appoint a Chief Executive Officer from among its members, to whom it entrusts the day-to-day management of the Parent Company in compliance with the general planning and strategic guidelines established by the Board of Directors. The Chief Executive Officer assumes the position and carries out the functions of General Manager pursuant to the Articles of Association.

Without prejudice to the competences assigned by the Articles of Association, in exceptionally urgent circumstances, after consulting the Chairperson of the Board of Directors, the Chief Executive Officer may take decisions on any transaction within the competence of the Executive Committee, provided they are not assigned by the mandatory provisions of the law or by provisions of the Articles of Association to the authority of the Board of Directors and of the Executive Committee as a whole. Decisions taken in this way must be reported to the Board of Directors and to the Executive Committee at the next meeting.

The Chief Executive Officer reports to the Board of Directors and to the Executive Committee, at least once a quarter, on the general management performance and its foreseeable outlook, as well as on the most significant transactions carried out by the Parent Company and the Group Companies. At the meeting of 30 May 2022, the Board of Directors appointed Sandro Bolognesi as Chief Executive Officer.

Board Committees

In line with the provisions of article 31 of the Articles of Association, and in compliance with the provisions of Circular 285, the Board of Directors establishes an Appointments Committee, a Remuneration Committee and a Risks Committee made up of its members.

At the meeting of 30 May 2022, the Board of Directors merged the Sustainability and Identity Committee into the Risks Committee, thus establishing the Risks and Sustainability Committee, attributing to said Committee an investigative, propositional and advisory role with regards to evaluations and decisions on matters of sustainability and the cooperative identity.

Each Committee that is mandatory in terms of applicable regulations, consists of a minimum of three and a maximum of five non-executive Directors, the majority of whom are Independent.

The **Appointments Committee** conducts investigations and provides advice to the Board of Directors on appointment of the members and on the composition of the Board of Directors of the Parent Company and, where required, of the Affiliate Banks, when the responsibility rests with the Board, and carries out the other duties assigned to it by regulations in force and/or by the Board of Directors.

The **Remuneration Committee** submits proposals and provides advice on the fees and on the remuneration and incentive systems to be adopted by the Parent Company and, where required, by the Affiliate Banks, and carries out the other duties assigned to it by regulations in force and by the Board of Directors.

The **Risks and Sustainability Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's corporate bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies.

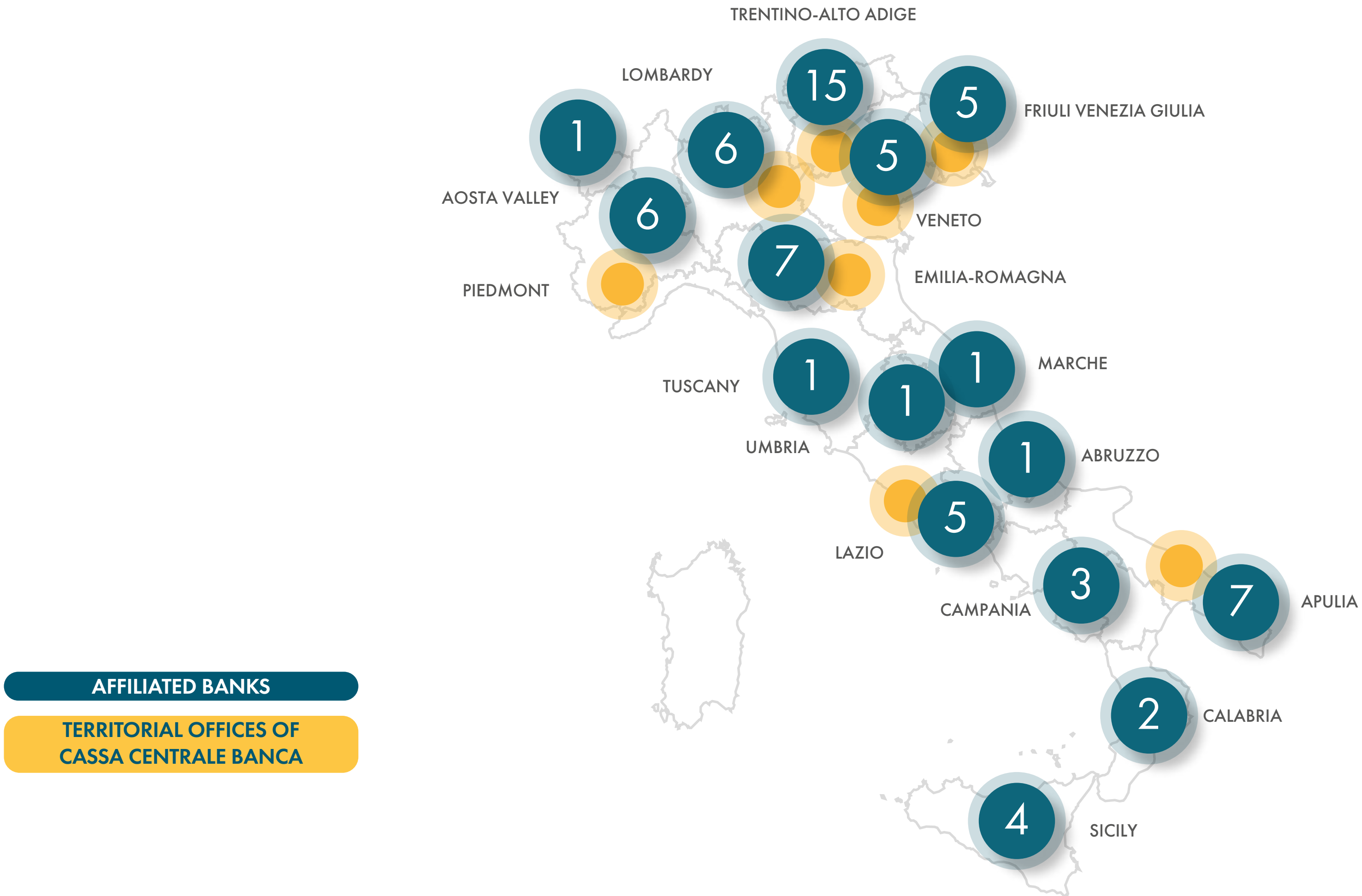
There is also an **Independent Directors Committee** which performs the tasks set forth in Circular 285 on the subject of decision-making procedures relating to related-party transactions as well as on the subject of equity investments held by banks and banking groups.

For further information and a detailed description of the corporate governance system, please refer to the "Corporate Governance Project" available on the Cassa Centrale Banca website at www.cassacentrale.it, in the "Governance" section.

Presence on the territory

Even before taking on the role of Parent Company, since its establishment TERRITORIAL OFFICES OF CASSA CENTRALE BANCA been a reference partner for Cooperative Credit and a number of small and medium-sized banks not belonging to banking groups, sharing their values, culture, strategies and reference model.

Acting as a second-level bank, it provided support and impetus to the activities of the BCC-CR-RAIKA members and customers, with an offer that they themselves recognised as innovative, competitive and of quality. The role of provider of high added value advisory services in sectors such as wealth management, structured finance, public treasury management, etc. was also significant.



The presence of the Cooperative Banking Group, with the consequent transition from a network integration to a group approach, allowed the Affiliated Banks to further strengthen their primary role as local banks at the service of the territory and communities. The Covid-19 health crisis and the related economic impacts represented a test for the strength of the new organisation. In fact, the Affiliates were able, precisely because they are part of a solid and organised Group, to demonstrate resilience and reactivity. The Group's business model envisages a widespread presence in the territory and a strong attention to the relationship with the customer (typically families and small economic operators), the territory and local institutions.

Local Shareholders' Meetings have the objective of allowing for maximum participation and collaboration on the part of all the Affiliated Banks, through constant dialogue with the Parent Company, leveraging the common purpose, the responsibility and effective and widespread communication, as well as the integrated development of the Group's culture and strategies. The relationship based on ongoing dialogue and the active involvement of its stakeholders is an expression of the responsibility that the Cooperative Banking Group feels towards the territory in which it operates.

As at 30 June 2022, the Group's geographical presence is characterised by 70 Affiliate Banks with 1,474 branches located across Italy and 10 regional offices of the Parent Company.

PRESENCE ON THE TERRITORY	30/06/2022					Total 30/06/2022	Total 31/12/2021	Change
	Trentino-Alto Adige	North East	North West	Central	South and Islands			
REGISTERED OFFICES								
Parent Company	3	2	2	2	1	**10**	**10**	**0**
Affiliated Banks	15	10	13	16	16	**70**	**71**	**(1)**
BRANCHES*								
Parent Company	1	0	0	0	0	**1**	**1**	**0**
Affiliated Banks	297	321	360	317	179	**1,474**	**1,483**	**(9)**

*Data referring to branches with CAB code

The special legal regulations, in relation to the mutualistic aims pursued, and the business model that characterises the BCC-CR-RAIKAs, are at the basis of the high number of members in the corporate structure. Cooperative Shareholders play a key role as they are a crucial resource for preserving the value of Cooperative Credit Banks. They are in fact the first customers, suppliers of their own equity, witnesses of the vitality of the company, as well as the creators of projects within the social and economic fabric.

As can be seen from the table below, the number of Shareholders as at 30 June 2022 is approximately 459 thousand, mostly concentrated in the central-north area of the country and up by 4,107 compared to December 2021.

AREA	30/06/2022					Total 30/06/2022	Total 31/12/2021	Change
	Trentino-Alto Adige	North East	North West	Central	South and Islands			
No. of Shareholders	131,646	93,518	104,819	98,896	30,581	**459,460**	**455,353**	**4,107**
% of total	28.65%	20.35%	22.81%	21.52%	6.66%	**100.00%**		

Mission, values and business model of the Affiliated Banks and the Group

The BCC-CR-RAIKAs are local banks which are an expression of the communities, established in the form of cooperative companies with prevalent mutuality. Consistent with the principles and values that inspired their birth and accompanied their growth, they have always made a concrete contribution to the economic, social and cultural development of local communities. As stated in the Articles of Association, they have "*the purpose of favouring cooperative shareholders and members of local communities in banking operations and services, pursuing the improvement of their moral, cultural and economic conditions and promoting the development of cooperation and education in savings and pension planning as well as social cohesion and the responsible and sustainable growth of the territory in which they operate*".

The sharing of the values that characterise the social function of cooperation underpins the modus operandi of the Affiliated Banks and at the same time represents a concrete wealth for the regional communities in which they operate.

The commitment to the territory is implemented both in the active presence in the local economic system through reinvestment in the areas of competence of savings collected, and in the support of initiatives in favour of bodies and associations that make the non-profit sector their objective. Of particular importance are the conferences and round tables with trade associations to promote discussion of the most important issues in the economic sectors in which the Group operates.

The social and service function of the Affiliated Banks is characterised by a qualified, updated and dedicated offer in which the services provided by the individual entities are flanked by the services and consulting provided by the Parent Company and the Group Companies, which are designed to meet the organisational, business and compliance needs of the Affiliated Banks and to understand the needs of shareholders and customers.

The adoption by the Affiliate Banks of the new Group Code of Ethics, adopted in 2021, represented the formalisation of the commitment to translate the Group's principles and values into concrete and consistent conduct, also in the knowledge that taking social and environmental concerns into account helps to minimise exposure to banking and non-financial risks, and enhances reputation.

The activity of the Affiliated Banks is strongly oriented towards the provision of credit through traditional forms, such as mortgages and commercial loans, in order to better meet the financial needs of customers. Direct funding also consists of traditional offers such as deposit accounts, repos, current accounts, savings accounts and bonds, while indirect funding and assets under management are mainly based on the offer of products and services designed to ensure profitability while minimising risks.

Affiliated Banks are therefore the main interlocutors in the support and development of the real economy of the territories in which they operate, thanks to a specific offer of banking products and services that over the years has made it possible to maintain the stability of savings and a constant access to credit, also by enhancing the value of proximity information that is a unique characteristic that only local banks possess.

Yet this has not prevented them from following the financial and technological evolution and innovation, through products, tools and advisory services consistent with the needs of a developed economy, expressed by most of the regions in which the Affiliated Banks are based.

Also worthy of note is the commitment to offering and placing ethical and environmentally relevant investment products. With reference, in particular, to the offer of banking and credit products linked to eco-sustainable initiatives, of note are the initiatives aimed at spreading the culture of energy saving and the responsible use of resources with actions that directly involve the Affiliated Banks and, indirectly, customers, through products with low environmental impact, financing dedicated to businesses and households for the installation of systems for the production of electricity or heat from renewable sources and the implementation of interventions aimed at improving the energy efficiency of buildings.

Economic background

International scenario and Italian context

During the first six months of 2022 the geopolitical context had a profound impact on the general recovery of economic activities at global level, which is beginning to significantly reflect the consequences of the war in Ukraine in terms of slowing economic growth and increasing inflationary pressures. The estimates by the International Monetary Fund (hereinafter "IMF"), published in April 2022 show that the growth of Gross Domestic Product (hereinafter also referred to as "GDP") in 2022 will come in at 3.6%, compared to 6.1% in 2021.

The IMF estimate shows a US GDP growth of 3.7% in 2022 and 2.3% in 2023, while for the Eurozone it shows a GDP growth of 2.8% in 2022 and 2.3% in 2023, in a scenario where analysts see downward revisions more likely to materialise due to continued constraints on economic activity and a context of high inflation which is following a significant rise in the general level of interest rates.

The first six months of 2022 were marked by the continution of inflationary tensions in the United States and many developed economies. The IMF estimate for 2022 shows the US figure at 7.7% and for 2023 the expectation is that it will stand at 2.9%, due to persistent pressures in the labour market, with an unemployment rate expected at 3.5% at the end of 2022, and in the real estate market, both of which were also able to maintain high levels of the core component.

In the Eurozone, especially following the outbreak of the war in Ukraine, there was an acceleration of inflationary pressures as evidenced by the IMF figure estimating a 5.3% price increase in 2022, mainly due to rising energy and food prices.

According to Eurostat estimates, employment dynamics in May 2022 continued to show signs of improvement, with the Eurozone unemployment rate at 6.6%, marginally down from the previous month's figure (6.8%) and down from the 7.5% recorded in April 2021. Employment figures continue to show a recovering European labour market since 2021.

As far as the Italian economy is concerned, Istat forecasts a macroeconomic scenario characterised by strong uncertainty linked to the ongoing conflict between Russia and Ukraine, with growth suffering the negative repercussions of high inflation, the deterioration of the trade balance and the fall in consumer confidence. Istat nevertheless forecasts GDP growth for 2022 (2.8%) and 2023 (1.9%), albeit slower than in 2021, driven mainly by the contribution of domestic demand net of inventories (+3.2% and +1.9% respectively), while net foreign demand is expected to make a negative contribution in 2022 (-0.4%) and zero in 2023.

As regards the Italian labour market, ISTAT expects the trend in the unemployment rate to gradually normalise, with a significant drop in the unemployment rate in 2022 to 8.4% and to a lesser extent in 2023 (8.2%).

The Italian context in the first half of 2022 also showed a continuation of the current phase of accelerating inflationary dynamics, with the price index registering a year-on-year increase of 8% in June, bringing the inflation forecast for 2022 to 6.4%.

Financial and currency markets

In response to inflationary pressures, the world's main central banks have initiated or accelerated a return to less accommodating monetary policies.

In the first quarter, the European Central Bank gradually reduced net purchases of financial assets conducted within the framework of the pandemic emergency purchase programme for public and private securities (so-called PEPP), to the point of suspending them on 31 March, while it confirmed the reinvestment of capital repaid on maturing securities until at least the end of 2024.

At the the meeting of 9 June 2022, the Governing Council also decided to end net purchases under the financial asset purchase programme (the so-called FAPP) as of 1 July 2022; in this case reinvestments will continue for an extended period of time after the start of the reference interest rate hike cycle. In this regard, the Governing Council raised interest rates by 50 basis points at the monetary policy meeting in July. Subsequently, the Central Bank deemed it appropriate for the interest rate rises to continue in a gradual but stable manner, so as to ensure that inflation returns to the 2% target over the medium term; the size and pace of the increases will depend on new macroeconomic data and the updated assessment of inflation developments over the medium term.

In light of the pronounced widening of peripheral bond spreads following the announcement of these decisions, the European Central Bank convened an extraordinary meeting on 15 June 2022, alongside which it announced that reinvestments of maturing securities purchased under the PEPP programme would be made flexibly - across asset classes, across countries and over time - and signalled its intention to create a new instrument to counter the risk of market fragmentation in order to safeguard the proper functioning of the monetary policy transmission mechanism.

As for the US, the Federal Reserve increased the target range for Federal Funds interest rates by a total of 150 basis points to 1.50-1.75% in the first half of 2022. At the beginning of March, the Central Bank ended its monthly net purchases of securities and at the meeting of the FOMC of 3-4 May 2022 announced the start of the quantitative tightening plan, which envisages a reduction of the securities portfolio by USD 47.5 billion monthly from June to August and by USD 95 billion monthly from September.

The Federal Reserve embarked on the process of monetary normalisation well in advance of the European Central Bank, leading to a marked strengthening of the dollar against the euro on the currency markets, which contributed to a general increase in risk aversion linked to fears of a slowdown in the global economic cycle. In the first half of the year, the EUR/USD cross currency basis swap fell by 8.3%, dropping from around 1.13 to 1.04.

On the stock markets, the first half of 2022 was characterised by sharp declines caused by the outbreak of war in Ukraine, which brought with it the geopolitical and economic consequences of lower economic growth, exploding commodity prices and higher inflation - as well as the implementation of tighter monetary policies by the main central banks.

The rise in interest rates weighed particularly heavily on technology stocks, with the sector's benchmark index losing almost 30% in the US since the beginning of the year. The main US list performed better but still recorded negative performance, with a loss of around 21%. European Equities closed with a fall of 17%. The yield differential between sectors was considerable, with energy stocks rising sharply (+11.2%) and more cyclical stocks influenced by commodity trends, such as the automotive sector, which fell sharply in the first six months of the year (-24.9%).

In the first half of the year, the same factors that negatively affected stock market prices pushed up yields on Eurozone government bonds significantly. The war in Ukraine initially favoured the performance of core bonds, with the 10-year Bund temporarily returning to negative territory, but it then resumes its upward trend and closed the six-month period at around 1.25%.

The Bund's performance was also supported by the dynamics of risk-free rates in the US, where the short-term bonds of the US government curve had higher yields than the 10-year bond at the end of the six months: the US 2-year Treasury bond rose from 0.75% at the beginning of the year to 2.80% at the end of June thanks to very aggressive rate increases by the Federal Reserve. Expectations of future interventions by the European Central Bank led to a larger widening of the Btp/Bund spread, pushing the Italian ten-year bond above 4%. From these levels, the yield came back down to end the six month period at around 3.15% (up 170 basis points from year-end 2021) thanks to the announcement of a new purchase programme that can be activated if the transmission of monetary policy is hampered by market dynamics.

Italian banking system

Economic growth observed in Italy, which was barely positive in the first quarter of the year, accelerated in the second quarter thanks to positive contributions from all the main sectors. However, the growing risks to global growth stemming from the rising cost of energy commodities and the spread of inflationary pressures to food and service prices should be emphasised.

These factors were also reflected in the credit access conditions, with a slight tightening of banks' offer policies and a consequently moderate expansion of bank loans to companies.

In June, based on data published by the ABI[1], loans to residents in Italy (including the private sector and public administrations) amounted to EUR 1,750.7 billion, marking an annual increase of +2.1%[2] (+1.4% compared to December 2021). Specifically, loans to the private sector recorded an annual acceleration of +3% (+1.6% compared to December 2021), while the year-on-year change in loans to non-financial companies stood at +2.3% as at June 2022.

An analysis of the distribution of credit shows that in May 2022, manufacturing, mining and services accounted for a share of total loans of about 58.2% (the share of manufacturing alone is 28%). This is followed by trade and accommodation and catering activities with around 22.5%, the construction sector with 9.2%, and the agricultural sector with 5.5% and, lastly, residual activities with approximately 4%.

Looking at the risk profile, non-performing bank loans (net of write-downs and provisions) amounted to around EUR 16.3 billion in May 2022, down year-on-year (-9.4%), but up compared to December 2021 (+8%), with a ratio of net non-performing loans/total loans of 0.93% (1.04% in May 2021 and 0.86% in December 2021).

Total funding from customers of banks in Italy (resident customer deposits and bonds net of those repurchased by banks) rose to EUR 2,040.2 billion at June 2022, with an increase of 2.4% on an annual basis. In detail, deposits (EUR 1,840.7 billion) grew at a rate of 3.3%; on the other hand, bonds decreased to EUR 199.5 billion, down 5.2% compared to June 2021.

With reference to interest rates dynamics, with regard to households and non-financial corporations, the average rate of bank funding from customers calculated by the ABI (which includes the return on deposits, bonds and repos in Euro) fell to 0.44% in June 2022 (0.46% in June 2021 and 0.44% in December 2021). In the same month, the weighted average lending rate stood at 2.18%, down slightly year-on-year (2.20% in June 2021), but rising again after the all-time low of 2.13% reached in December 2021.

1 ABI Monthly Outlook Economy and Financial-Credit Markets, July 2022.

2 Calculated including securitised loans subject to accounting derecognition.

Significant events in the first six months of the year

The main events of the six month period ended 30 June 2022 are provided below.

Business combinations between Affiliated Banks

In the first six months of 2022, there was one business combination between Affiliated Banks. Therefore, the number of Affiliated Banks decreased from 71 at the beginning of 2022 to 70.

Details of the business combination carried out in the first half of 2022 are shown below:

- Cassa di Trento e Cassa Rurale Alta Vallagarina e Lizzana: new name Cassa di Trento, Lavis, Mezzocorona, Valle di Cembra e Alta Vallagarina – Banca di Credito Cooperativo – Soc. Coop., effective from 1 April 2022, Trentino-Alto Adige region.

Business combinations between Affiliated Banks are part of the rationalisation of the regional control unit outlined in the Group's Strategic Plan, aimed at pursuing competitiveness and efficiency objectives. These transactions had no impact on the consolidated financial position as they are mergers between entities under common control. In the reporting year, two further aggregation processes were launched - one of which has already been completed - which, upon completion of the authorisation process and approval by the Extraordinary Shareholders' Meetings of the affiliated banks involved, will lead to a further rationalisation of the Cooperative Banking Group's regional presence.

2022-2025 Strategic Plan

On 30 June 2022, the Board of Directors of Cassa Centrale Banca approved the Group's Strategic Plan (hereinafter also referred to as "SP") with a 2022-2025 time period, which updates the 2021-24 SP approved last year.

The Plan was defined with the full involvement of the Affiliated Banks, as provided for in the Cohesion Contract, in a process whereby each legal entity of the Group defined its own individual SP, which then became part of the Group's consolidated SP.

The main lines of action of the Plan are listed below:

- **Drive the distribution model**, with the aim of fostering and encouraging greater adoption of advanced customer relationship management tools, which represent the true distinguishing asset of the Cassa Centrale Group.
- **Accelerate investments in technology**, to continue the journey of digital transformation already embarked upon and evolve the information system to better support all banking activities, particularly those aimed directly at customers.
- **Allocate specific resources to product companies**, with the aim of offering competitive products and services on the market.
- **Put people first**, increasing investments and initiatives to growth and develop the distinctive skills of the Group.
- **Prioritise risk management**, with the aim of providing Shareholders and depositors of Affiliated Banks with security and stability thanks to some of the highest provisioning levels for credit risk and primary

capitalisation in Europe, with the CET1 ratio remaining in the region of 22%.

- **Sustainability**, with the aim of preserving and further enhancing the efforts by BCC-CR-RAIKA in the reference regions and local communities, in line with the principles of mutual cooperation that characterise the Group. The commitment to support community and environmental initiatives will be incentivised through the Sustainability Plan.

The economic-financial and equity projections define an evolution that shows a strengthening of the Group's ability to achieve revenues, pursue a containment of operating costs and adopt prudent provisioning policies to face the many uncertainties characterising the current macroeconomic scenario.

The Group has adopted a so-called "rolling" logic in its strategic planning process, according to which the Plan is reviewed on an annual basis. This logic has been adopted taking into account that the Group has been operating for three years and is moving in a continuously and rapidly evolving market and regulatory context and, particularly, a macroeconomic context that is heavily influenced by the war between Russia and Ukraine and by the sharp rise in inflation and energy costs.

Impaired asset management and Group NPE strategy

In the first six months of 2022, in a context characterised by the continuation of the Covid-19 health emergency and the Russia - Ukraine crisis, the Cassa Centrale Group, through the dedicated structures present in the Parent Company and in the Affiliated Banks, continued to closely monitor the quality of the Group's loan portfolio and the management and reduction of impaired assets.

In this context, the Parent Company prepared the new NPE Strategy and the related Group Operating Plan, with a 2022-2024 time frame. The NPE Strategy and Operating Plan were presented for approval before the Board of Directors of the Parent Company on 31 March 2022 and subsequently sent to the ECB.

The NPE strategy was developed maintaining a prudent approach, considering the volatility of the available macroeconomic forecasts in light of the uncertainty of the actual impacts of the health emergency and the ongoing conflict on Italy's economy. This prudential approach was applied through the adoption of a particularly high provisional default rate for the 2022-2024 period compared to the figures of the last few years. According to this logic, the Group's NPE Strategy envisages a slight reduction in the gross NPL ratio for 2022 and 2023, from 5.5% at the end of 2021 to 5.3% at the end of 2023, and a more significant reduction in 2024, which will bring the Group below the threshold of 5% (4.8%). On the other hand, with regard to coverage levels, on the strength of the coverage levels that the Cassa Centrale Group had reached by the end of 2021 (73.6%), NPE Strategy forecasts a slight decrease in the index, nevertheless retaining a provisional level for 2024 of 67%, which appears to be somewhat higher than the figures of the Italian and European banking system. The combined effect of the reduction in the gross NPL ratio and the retention of a high coverage level on impaired loans will enable the Group to maintain a net NPL ratio of 1.6% at the end of the plan, in line with the figures of the main Italian banking groups.

The final figures as at 30 June 2022 showed better results than expected, confirming the success of the prudent approach taken when developing the NPE strategy. In the first six months of 2022 the Cassa Centrale Group achieved an interim default rate on the performing loan portfolio of 0.5%, compared to an estimate for 2022 as a whole of 2.08%. The recovery performance of impaired loans was also better than expected, with collections totalling EUR 260 million against an estimate of EUR 425 million for 2022 as a whole.

The effect of these dynamics on impaired loans, combined with the increase in performing loans, led to the achievement of a gross NPL ratio of 5.0% and a net NPL ratio of 1.3% as at 30 June 2022.

The positive performance, particularly as regards the net NPL ratio, is also due to the maintenance of a prudent impaired exposures provision policy in view of the continuation of the macroeconomic uncertainty. This policy made it possible to achieve a level of coverage of impaired exposures of 75.9%, placing the Cassa Centrale Group among the top performers in Italy in terms of coverage ratio.

Appointment of new CEO and General Manager Sandro Bolognesi

In December 2021, Mr Mario Sartori resigned from his position as Chief Executive Officer and General Manager of Cassa Centrale Banca with effect from 1 February 2022.

Following this, the Board of Directors, during its meeting of 3 February 2022, co-opted Sandro Bolognesi, former CFO and Deputy General Manager of the Parent Company, and appointed him as Chief Executive Officer and General Manager.

The Shareholders' Meeting of 30 May 2022 renewed the corporate offices by appointing General Manager Sandro Bolognesi as Director, who was confirmed in the role of CEO by the Board of Directors at the same meeting.

Renewal of the Board of Directors and the Board of Statutory Auditors

The Shareholders' Meeting of 30 May 2022 resolved to renew the appointment of the corporate officers and appointed the 15 members of the Board of Directors, who will remain in office for the next three years: 10 directors are representatives of the Affiliated Banks, with the Chairperson and the Acting Deputy Chairperson selected from among them.

The new Board of Statutory Auditors was also appointed.

On the same day, the Board of Directors appointed:

- the Deputy Chairperson;
- the CEO;
- the Executive Committee;
- the Board Committees.

Extraordinary shareholders' meeting for amendments to the articles of association

Following the approval by the ECB of the application for assessment "Ex Article 56 of the TUB" of the amendments to the Articles of Association approved by the Board of Directors at the meeting of 2 December 2021, an Extraordinary Shareholders' Meeting was held on 25 March 2022, which approved a number of amendments to the Articles of Association, incorporating regulatory adjustments and updating the governance structure three years after the launch of the Cooperative Banking Group.

For more information please refer to the Report on Consolidated Operations as at 31 December 2021.

Appointment of the new CFO

At the meeting of 10 March, the Board of Directors, in line with the provisions set out in the C-Suite Succession Plan of the Parent Company and having obtained the approval of the CEO, identified Alessandro Failoni as the candidate for the role of CFO.

The Board, having taken into consideration the positive assessment of the Appointments Committee, confirmed that the candidate meets the requirements set forth in Ministerial Decree 169/2020 for this role.

On 9 June the appointment was approved by the ECB and therefore the Board of Directors, at the meeting of 29 June 2022, appointed Alessandro Failoni as the new Chief Financial Officer, effective from 1 July 2022.

Climate Risk Stress Test

As part of its climate roadmap, the ECB launched a specific climate stress test exercise ("2022 SSM Climate Risk Stress Test"), starting on 27 January 2022 and concluding in early July 2022 with the publication of the system results. This stress test required financial institutions to report on a common set of climate risk metrics, including the volume of greenhouse gas emissions they finance, with the aim of assessing the degree of preparedness and capacity of European banks to cope with financial and economic shocks from climate risk. Moreover,the exercise required a number of participating banks to assess their short-term exposure to physical and transition risk, and their exposure to transition scenarios over the next 30 years.

The "2022 SSM Climate Risk Stress Test" was a complex and very demanding exercise for the Cassa Centrale Group, also in view of the fact that it was conducted during a pandemic.

To perform the exercise, various preliminary activities were activated, with very significant costs both in terms of the commitment of internal departments (IT, FTE) and in terms of economic investments.

In the letter inviting institutions to take part, the ECB emphasised that this exercise should be seen as a "learning exercise", both for the participating banks and the supervisor, which will improve the quality and availability of data and ultimately aim to identify vulnerabilities, best practices and challenges faced by European banks, the results of which will be integrated into the Supervisory Review and Evaluation Process (SREP) using a qualitative approach (no direct capital impact on Pillar 2 guidance is foreseen).

The stress test consists of three modules:

- Module 1: general questionnaire to assess how banks are building their climate stress test capabilities as a risk management tool. Module 1 provides an overview of the positioning of banks in this process.
- Module 2: benchmarking analysis to compare banks on a common set of climate risk parameters. This translates into the calculation of two specific metrics aimed at estimating how much banks depend on income from greenhouse gas-intensive industries and how much greenhouse gas emissions banks finance. Module 2 provides an indicative proxy for the sustainability of the banks' business model and how exposed banks are to emission-intensive companies.
- Module 3: bottom-up stress test focusing on transition and physical risks. The stress test assesses how extreme weather events would affect banks in the coming year, how vulnerable they would be if the price of carbon emissions rose sharply over the next three years, and how banks respond to transition scenarios over the next 30 years.

In general, the poor availability of data (greenhouse gas emission data, EPC rating, geo-location guarantees, etc.) was the most critical aspect. The process to collect or reconstruct this data involved enormous effort and required the commitment both of time and dedicated personnel, as well as the use of data provided by specialised third-party providers (such as data on Scope 1, 2 and 3 greenhouse gas emissions) by the Group and its Italian peers.

On the whole, the outcome of some of the assessments conducted by the Supervisory Authority was the result of a prudential approach adopted by the Group in participating in the exercise which, on the reference date of 31 December 2021, was at an early stage of structuring the entire climate stress test framework, in full compliance with the Thematic Review on climate and environmental risks.

Therefore, the data collection process of the climate risk exposure assessment suffered in the initial stages, although the Supervisory Authority greatly appreciated the quality and availability of the numerical data used, as well as the adherence to the timelines outlined in the exercise, the reworkings and level of detail of the explanations provided.

At system level, the ECB considers that banks should establish a robust governance structure for their climate risk stress testing framework and integrate the results of climate risk stress tests into their core business and planning. In general, banks should improve their climate risk management, understand their customers' transition plans and strengthen their strategic plans to benefit from the opportunities of the green transition.

Complaints and disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders' meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) is based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of

EUR 11.4 million, plus revaluation and interest, based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The proceedings ended with a judgement of 15 November 2021 by which the Court of Genoa, in acceptance of the claims of the defendants, ascertained the validity of the capital increase resolution adopted by Carige on 20 September 2019 and rejected the claims for damages brought by the plaintiffs, ordering the latter to pay the legal costs.

In December 2021, Malacalza Investimenti S.r.l., Malacalza Vittorio and 5 small shareholders out of the initial 42 appealed against the first-level ruling before the Court of Appeal of Genoa, (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

In March and April 2022, Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal.

At the hearing of 20 April 2022, the Court ordered the joinder of all the proceedings, reserving any decision until the continuation. The Court adjourned the hearing to 14 December 2022 to allow for the necessary notification of the defaulting parties.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and charges in line with the provisions of the IAS/IFRS international accounting standards.

On 5 January 2022, the Court of Cassation published an order dismissing the appeal filed by North East Services S.p.A. under extraordinary administration (hereinafter NES) against the order of the Court of Treviso issued in the challenge against the bankruptcy liabilities of the insolvency procedure.

Specifically, with respect to the claim for the values deposited by Cassa Centrale Banca and owned by the same (amounting to EUR 930,327.90 at the time of the declaration of insolvency of NES), the Official Receiver the Court of Treviso dismissed the claim and ordered that Cassa Centrale Banca be established as an unsecured creditor only. In view of this, Cassa Centrale Banca challenged the bankruptcy liabilities, appealing against the decision of the Official Receiver in the part in which it excluded the claim in its entirety and established Cassa Centrale Banca as an unsecured creditor for the claimed amount of EUR 930,327.90. In the challenge against the bankruptcy liabilities, the Court of Treviso, with order dated 7 January 2016, recognised in favour of Cassa Centrale Banca the claim/return of part of the money that NES should have kept at the date of the opening of the proceedings (EUR 273,074.36) and allowing a residual claim of approximately EUR 657,253.54 in bankruptcy on an unsecured basis. In a subsequent appeal, NES requested the repeal of the aforementioned order and the confirmation of the bankruptcy liabilities in the part in which it established Cassa Centrale Banca for the whole of its claim as an unsecured creditor. The Court of Cassation dismissed the appeal and ordered NES to pay the legal costs.

Awarding of first rating by DBRS Morningstar

On 8 February 2022, the rating agency DBRS Morningstar, at the end of the first assessment process carried out on Cassa Centrale Banca, awarded the latter a BBB (Low) rating in relation to the Long-Term Issuer Rating and Long-Term Senior Debt profiles. In this way, the issuer and the related issues of financial instruments are placed in the "Investment Grade" category. This category includes instruments considered to be of higher quality, issued by companies characterised by positive management and favourable development prospects.

DBRS's assessment takes into account the role of Parent Company played by Cassa Centrale Banca since the establishment of the Cooperative Banking Group in 2019, in exercising management and coordination over the affiliated Cooperative Credit Banks - Rural Banks and Raiffeisenkassen, monitoring the stability of the Group.

In particular, the levels of liquidity, capitalisation and funding were considered positive. Further strengths of the Group were found in the improvement of asset quality and the high level of coverage of impaired loans.

MREL Requirement

As part of the regulatory framework for the recovery and resolution of credit institutions and investment firms (the so-called BRRD), the Single Resolution Board (or SRB) communicated in April 2022 to Cassa Centrale Banca, as the Group's resolution entity, the Minimum Requirement of Eligible Liabilities

(MREL)[3] to be met at a consolidated level for Cassa Centrale Banca and at an individual level for the Affiliated Banks identified as Relevant Entities by the relevant legislation in the 2021 resolution cycle. The MREL Requirement, formulated in accordance with Article 12 bis, paragraph 2), letters a) and b), of Regulation (EU) no. 806/2014, defined as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure (MREL-LRE), was communicated by the Single Resolution Committee[4].

Given the general-hybrid approach adopted by the Single Resolution Committee, own funds on a consolidated basis shall be considered suitable to meet the consolidated MREL requirement, while the only eligible liabilities will be those issued directly by the Parent Company Cassa Centrale Banca (as the "central entity" of the Resolution Group) and that will comply with the eligibility conditions set out in Regulation no. 877/2019 ("SRMR2"). This consideration stems from the single-point-of-entry (SPE) Resolution Strategy defined by the Supervisory Authority for the Group, according to which resolution tools and powers would be applied exclusively to the Parent Company.

The minimum requirement for own funds and eligible liabilities on a consolidated basis (with which the Parent Company must comply) is 21.79% of TREA (to which the combined capital reserve requirement (CBR) of 2.5 per cent should be added) and 5.91% of LRE. The Parent Company is required to meet the above requirements by 1 January 2024. From 1 January 2022, the Group is required to meet an interim requirement of 18.19% of TREA (to which the combined capital reserve requirement (CBR) of 2.5 per cent should be added) and 5.91% of LRE.

There are no subordination requirements to meet the above targets.

At the reference date of 30 June 2022, Cassa Centrale Banca complies with the mandatory intermediate level of the MREL requirement, both as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure (MREL-LRE), on a consolidated basis.

Inspection by the Bank of Italy on Anti-Money Laundering and Transparency

In the first half of 2021, the Banking Group was subject to an inspection by the Bank of Italy aimed at checking compliance with the provisions on combating money laundering and on the transparency of banking transactions and services. The results of the inspection were communicated by means of an inspection report dated 12 January 2022.

The Supervisory Authority found that two and a half years after the Group's start the objectives of strengthening and harmonising operating and management standards in the areas under investigation have not been fully achieved, with the need to further strengthen the control units governing the Group's anti-money laundering and transparency processes, also with a view to improving the ability of the Parent Company Cassa Centrale to oversee the behaviour of its Affiliated Banks. The areas of intervention have been analysed and a detailed timetable has been drawn up for the implementation of the action plan on Anti-Money Laundering and Transparency. The schedule was sent to the Supervisory Authority on 24 March 2022 along with the response to the inspection report. The corrective actions indicated in the plan of action are in the process of being implemented,

European Central Bank inspection on capital adequacy

At the end of 2021, the ECB's capital adequacy audit of the Cassa Centrale Group was completed, aimed at assessing the calculation of Pillar 1 capital requirements.

The outcome of the audit which was notified in early 2022, highlighted a number of points of concern for which the Group took prompt action to resolve. A dialogue was initiated with the JST aimed at representing the remedial plan undertaken by the Group in this regard with the aim that it will be finalised according to the timeframe expected by the Supervisory Authority.

[3] Specifically, the MREL requirement allows each intermediary, in case of resolution, to have an adequate amount of capital resources and other liabilities to absorb losses and replenish capital. It aims to preserve financial stability by promoting an orderly and effective crisis management system. Failure to meet the MREL requirement can have a negative impact on the loss-absorbing capacity and recapitalisation of institutions, as well as on the overall effectiveness of the resolution.

[4] "Exposure to the leverage ratio" is the measure of total exposure calculated pursuant to Articles 429 and 429 bis of EU Regulation no. 575/2014.

European Central Bank inspection on credit and counterparty risk

In a letter dated 17 December 2021, the ECB informed the Cassa Centrale Group of the start of an inspection of credit and counterparty risk from March 2022, focusing on exposures to "Commercial Real Estate", as part of a broader spectrum of control and analysis activities carried out on the entire European banking system. The inspection, which officially began in March 2022 and ended in July, concerned governance, credit processes (including internal credit regulations) and the IFRS 9 models and rating systems adopted by the Group, and involved a credit file review of approximately 150 positions. The results of the inspection and any findings will be presented in a specific report in October 2022 which will form the basis of the next meeting with the Supervisory Authorities from November 2022 regarding any exceptions identified and the consequent remedial plan.

European Central Bank inspection on IT risk

In a letter dated 17 June 2022, the ECB informed the Cassa Centrale Group that an IT risk audit would commence in September 2022, with the aim of assessing the management of IT operations and of IT projects, including any ancillary aspects related to these purposes and scope.

Update to the Equity Investments of Cassa Centrale Banca

Following the establishment of the Re.o.Co. Management Structure, Centrale Soluzioni Immobiliari S.r.l., the Board of Directors of Cassa Centrale Banca, in its meeting of 27 January 2022, ordered the convening of an Extraordinary Shareholders' Meeting of Centrale Credit Solutions S.r.l. to start the procedure for the liquidation of the Company. On 4 March the Extraordinary Shareholders' Meeting was held which resolved on the voluntary liquidation of the company and appointed the receiver.

In its meeting of 2 December 2021, the Board of Directors of Cassa Centrale Banca resolved to subscribe to the share capital increase promoted by the Board of Directors of Neam. The capital increase, which was completed on 17 January 2022 for an amount of EUR 1,525,000, was necessary to provide the company with the resources required to meet its capital ratios following the increase in the company's assets under management.

After the increase, Neam's share capital now consists of 240,000 shares of 12.5 EUR/share, for a value of EUR 3,000,000.

With regard to the equity investment in Iccrea Banca S.p.A., note that the third tranche of the sale of its shares, equal to 897,000 shares for a value of EUR 47,361,600, originally scheduled for 31 December 2021 and included in the "shareholding structure" Transaction Agreement of 14 October 2019, was finalised - subject to agreement between the Parties - on 19 January 2022. Following this transaction, the Group holds a total of 3.31% of Iccrea Banca S.p.A., of which 0.49% is held directly by Cassa Centrale Banca. This equity investment will be divested by 31 December 2022.

With reference to Cassa Centrale Banca's equity investment in Banca Carige, it should be noted that the equity held by Cassa Centrale Banca as at 30 June 2022 amounted to 5.916%.

During the first half of 2022, the transaction for the sale to BPER Banca of the controlling stake in Carige S.p.A., amounting to approximately 80%, was finalised by Fondo Interbancario di tutela dei Depositi (FITD) and the Schema Volontario di Intervento (Carige press release of 3 June 2022).

The sale took place at the symbolic price of one euro, subject to a capital contribution by the FITD in favour of Carige in the amount of EUR 530 million, as a preventive measure (FITD press release of 14 February 2022).

With the press release dated 3 June 2022, BPER Banca announced that, on that date, the legal prerequisites had been met for it to launch a mandatory full takeover bid on the ordinary shares of Banca Carige (in addition to a voluntary offer on the 20 savings shares), concerning 156,568,928 ordinary shares, representing 20.582% of the share capital of the Issuer, for a fee of Euro 0.80 per ordinary share, with the aim of delisting the aforesaid shares and the subsequent merger by incorporation of Banca Carige into BPER Banca by 2022. The setting of the acceptance period for the tender offer will follow the approval by CONSOB of the relevant offer document.

With the completion of the transaction, following the resignation of the entire serving Board of Directors, the Shareholders' Meeting of Carige proceeded, on 15 June 2022, to appoint the Board of Directors representing the new controlling shareholder.

As a minority shareholder, Cassa Centrale presented its own list naming Diego Schelfi, who was subsequently elected.

The Shareholders' Meeting also authorised the Board of Directors to waive, on a settlement basis, the liability actions brought against previous directors (Banca Carige press release of 15 June 2022).

For more information, refer to the paragraph "Significant events occurred after the end of the half year".

Definition of the partnership with Assimoco Group in the bancassurance sector

On 10 March 2022, the Board of Directors of Cassa Centrale Banca resolved to continue exclusive negotiations with the Assimoco Group in order to define a five-year collaboration for the distribution of a complete range of life and non-life insurance products through the Affiliated Banks of the Cassa Centrale Group and through its subsidiary Assicura Agenzia.

Assimoco is a subsidiary of the German insurance company R+V Versicherung, which belongs to the DZ Bank Group, a historical partner of Cassa Centrale Banca and an expression of German cooperative credit.

Following the negotiations, a framework agreement was signed on 17 May 2022 between R+V Versicherung, the Assimoco Group companies, Cassa Centrale Banca and Assicura Agenzia, aimed at defining the rules of the strategic partnership in the context of the project and the shared financial and commercial objectives. In addition to the framework agreement, a distribution mandate was also signed, whereby the companies grant Assicura an agency mandate for the distribution of insurance products, and the management mandate defining the collaboration in the field of asset management between the companies and Cassa Centrale Banca.

Classification and measurement of loans to customers in light of the Russia-Ukraine war.

In order to calculate expected loss at 30 June 2022, the Cassa Centrale Group has incorporated the macroeconomic scenario as at May 2022 into its IFRS 9 impairment model, including the effects of the war in Ukraine and the uncertain evolution of the pandemic context, aspects which have a major influence of growth forecasts, the main macroeconomic variables and the financial indicators for 2022-2024, compared to the previous forecasts issued in December 2021.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 30 June 2022, conservative criteria - in accordance with the IAS/IFRS accounting standards - were adopted, taking into account the socio-economic effects resulting from the pandemic crisis which continue to persist in 2022, albeit to a lesser extent, as well as the uncertainty arising from the conflict between Russia and Ukraine. However, given the difficulty in estimating their duration and development, the Bank incorporated the potential impacts of the aforementioned events - which suggest a possible increase in insolvency rates in the future - into its credit evaluations.

For the purposes of calculating the expected loss as at 30 June 2022, the Cassa Centrale Group has used the three scenarios ("mild", "baseline", "adverse"), appropriately averaging their contributions, in accordance with the assessment of a context still of high future variability and potential uncertainty linked to the possible evolution of the health emergency and the conflict between Russia and Ukraine. It was therefore deemed opportune to increase the weight of the most severe scenario, offsetting against the baseline scenario. The scenarios used were those provided by the info-provider Prometeia, in accordance with a scenario generation system that considers publications from leading forecasting bodies as well as publications issued by the Supervisory Authorities, with no corrections.

Despite a confirmed growth trend, the updating of the macroeconomic scenarios shows a lowering of expectations for the 2022-2024 period, with a negative impact on medium-long term forecasts compared to the projections based on the scenarios in late 2021. In this context, in order to guarantee a conservative approach which is in any case consistent with the provisions of the IAS/IFRS accounting standards, the Group does not adopt changes and weightings of forward looking scenarios.

The retrospective sensitivity analysis, carried out on the portfolios subject to scenario updates, showed the following effects as at 30 June 2022:

- a 8% decrease in total exposure to business clients classified in stage 1 (classifiable to stage 2) and a potential increase in allocations of +0.6% in terms of total coverage of the performing portfolio;
- a decrease of around 9% in exposures to consumer households

classified in stage 1 (classifiable to stage 2) and a potential increase in allocations of around +0.25% in terms of total coverage of the performing portfolio;

Considering the persistent uncertainty of the reference context caused by the Russia-Ukraine conflict, in the first six months of 2022 the Group continued the adoption of certain changes to the models for quantifying the flat rate analytical impairment provisions related to credit risk. These interventions, introduced in 2021 in response to the effects of the Covid-19 health emergency and in line with the requirements of IFRS 9, were implemented to incorporate the guidelines provided in the publications by the ECB (SSM-2020-0154 and SSM-2020-0744) and GL EBA (EBA-GL-2020-02), as well as the indications issued by other Standard Setters. The interventions outlined above, guided primarily by a conservative approach and in any case improved and finalised during the year, made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk in the current context, with particular reference to the sectors of the economy impacted by the sharp increase in energy prices. At the same time, this also ensured the reduction of potentially distorted elements in the estimates.

In order to reflect the uncertainty in the outlook for certain segments of the economy and in line with ECB regulations, probability of default (PD) curves were differentiated by sector, a component calibrated using the Group's internal data and refined in the first half of 2022. This had effects both on staging and on the calculation of expected losses, refining the previous approach of penalisations (by downgrading creditworthiness) in certain economic sectors and geographical areas considered more exposed to the negative effects of the pandemic and the current stress introduced by price rises and the uncertainty in the availability of raw materials resulting from the Russian-Ukraine conflict.

Update on cyber risk management in the light of the Russian-Ukrainian conflict

Although the Cassa Centrale Group operates in the financial sector, it is currently unlikely to be a direct target of cyber attacks from Russia, as no assets owned by any of the oligarchs have been frozen. There are also no impacts due to cyber threats related to the Russian-Ukrainian conflict. However, the attention and potential risk is medium to high.

In the light of these considerations, specific actions to strengthen the Group's security control unit were examined, with a special attention to the following areas:

- prevention technologies;
- threat analysis, collection and enhancement of IoC shared by Cyber Threat Intelligence sources;
- critical supplier risk management;
- awareness and communication;
- business continuity.

Detailed information on the current geopolitical context and cyber risk management actions related to the Russian-Ukrainian conflict were also shared internally with control functions and top management.

As part of the various actions carried out, a statement was sent to critical third parties in order to obtain evidence of the continuous monitoring of the evolution of threats, the reinforcement of the necessary countermeasures and the prompt reporting to the Cassa Centrale Group of possible impacts resulting from security incidents.

Finally, on 8 March 2022, the joint document of the Regulators (Bank of Italy, Consob, IVASS, FIU) of 7 March 2022 concerning the "Call for compliance with the restrictive measures adopted by the EU in response to Russia's military aggression in Ukraine" was forwarded to all Group Banks and Companies for guidance and management purposes.

For further information regarding the possible impact of the Russian-Ukrainian crisis on the Group, please refer to the chapter "Business outlook".

Regulatory events in the first six months of the year

The reference regulatory context in which the Group operates, also following its recognition as a significant supervised entity, is broad and articulated and has led, over time, to a process of organisational and procedural adjustment. In the first six months of 2022 various regulations affecting the banking sector came into force.

The main measures implemented by the Group with reference to the most important regulatory changes are set out below.

Transparency

Financing transactions on pension and salary backed loans

On 12 January 2022 the Bank of Italy published a Notice on its website entitled "Financing transactions on salary-backed loans and pensions. Risk profiles and supervisory guidelines", addressed to banking intermediaries and lenders. In this Notice, the Authority drew attention to the key profiles that characterise the sector and formulated recommendations on the measures to be adopted in the performance of its activities, also in relation to the current and prospective development of the market for pension or salary backed loans.

With specific reference to the transparency profiles in relations with customers, the Notice emphasised the need for lenders who use an external distribution network to carefully monitor the network's actions in order to safeguard against the potential legal and reputational risks associated with any instances of non-compliance.

Cassa Centrale analysed the contents of the Notice, sharing them with the relevant departments (loans and Prestipay S.p.A.) but did not identify specific actions to be taken in the immediate future; within the Cassa Centrale Group, in fact, the Parent Company Cassa Centrale Banca, the Affiliated Banks and Prestipay S.p.A. do not operate in the context of said transactions as lenders but rather as distributors of third-party products.

Should Prestipay S.p.A. intend to integrate said products into its catalogue of services in the future, appropriate actions will be taken to ensure compliance with the Notice both in the product design phase and in the continuous monitoring of its marketing.

Early repayment of consumer loans (Sostegni bis Decree)

With regard to the application of the new article 125-sexies of the Consolidated Banking Act, as reformulated by Law 106 of 23 July 2021 (hereinafter the "Law"), converting, with amendments, Decree Law 73 of 25 May 2021 (so-called "*Supporti bis*"), in the first six months of 2022, the long-awaited ruling of the Constitutional Court, called upon to decide on the constitutionality of article 11-octies of the Law insofar as it limits the applicability of the principles expressed in the Lexitor judgement (the consumer's right to pro rata repayment of the total cost of the loan in the event of early repayment of the consumer credit agreement) to contracts signed after 25 July 2021, did not occur.

Pending this ruling, considering the information provided by Cassa Centrale to the Affiliated Banks in December 2021 in relation to the evolution of the regulations in question, in February 2022 the IT outsourcer made available to the Affiliated Banks the procedural functionalities that enable them to comply with the new regulatory obligations in accordance with the new art. 125-sexies of the TUB and in accordance with the guidelines expressed on the subject by the Banking and Financial Ombudsman (cf. Decision of the Coordination Board no. 21676 of 15 October 2021, which the regional constituencies complied with through the Resolutions on the subject issued in the first half of 2022) and by the Bank of Italy (cf. notice of 1 December 2021 concerning "Consumer Credit. Amendments to the primary regulations on early loan repayment"). The IT solution identified also allows the Affiliated Banks to correctly and consistently manage early repayment transactions for credit agreements, in relation to which the application of the so-called "linear criterion" for the pro-rata repayment of up-front charges was agreed upon.

Payment services

Sanctions adopted by the European Union to combat Russian actions in Ukraine

Following the invasion of Ukraine by Russia, in February 2022 the European Union issued a series of new Regulations aimed at amending and updating those adopted following the annexation by Russia of Crimea in 2014.

With specific reference to payment services, these Regulations introduced bans and restrictions on operations with counterparties from Russia, Belarus or the Ukrainian regions of Donetsk and Luhansk.

Following these regulatory interventions, the Parent Company coordinated with the IT outsourcer Allitude S.p.A. to make the necessary adjustments to the information system to guarantee the blocking and monitoring, respectively, of payments to and from Russia and Belarus. With regard to payments to or from Ukraine, which are not subject to specific regulatory restrictions, Cassa Centrale has instructed its Affiliated Banks to warn the customers concerned that outgoing payments must be carefully assessed as their successful outcome cannot be guaranteed.

Finally, following the publication of Regulation (EU) 2022/345 of 1 March 2022, some Russian banks were removed from the Swift network; accordingly, the IT outsourcer promptly updated the list of banks to which payments are blocked.

Operation of multi-brand debit cards in contactless mode

With reference to the obligations associated with the process of early mass replacement of debit cards whose contactless function does not operate on the domestic system (i.e., despite the indication of both the Bancomat symbol and an international circuit symbol, when used in contactless mode the transactions are processed only on the international circuit), Cassa Centrale has forwarded to its Affiliated Banks the text of the notice to be sent to customers by 31 December 2021, in compliance with the requirements of the Bank of Italy in its Communication of 30 June 2020 concerning "Operation of multi-brand debit cards in contactless mode".

The gradual replacement of such cards was completed during the first half of 2022; for cards that are still active and have not yet been replaced with the new card received by the customer together with the above information, Cassa Centrale, in cooperation with the IT outsourcer, has activated a block that prevents their use and guarantees their replacement with cards that function on both the international and domestic circuits.

Supervisory Reports

5th update to Bank of Italy Circular 140/1991

As of 1 January 2022, the amendments to Bank of Italy Circular 140/1991 on customer classification came into force, motivated by the need to incorporate the new features introduced by the new "Regulation on the balance sheet items of credit institutions and of the monetary financial institutions sector" (ECB/2021/2), as well as certain regulatory provisions that came into force after the previous update of the Circular, which ensure alignment with the classification envisaged by the European System of Accounts.

In this regard, Cassa Centrale, following the assessment of the impacts of the new features introduced with the 5th update of the Circular, led - also with the involvement of the IT outsourcer - to the necessary adjustments, providing the Affiliated Banks with information on the new features available within the IT procedure as from 7 January 2022.

Loan granting and monitoring

On 29 May 2020, the European Banking Authority (EBA) issued the "Guidelines on the granting and monitoring of loans", which report the indications and expectations of the EBA regarding the behaviours and practices that banks must adopt when granting loans and monitoring credit, in order to ensure that they have solid and prudent standards for the assumption, management and monitoring of credit risk and that newly established loans also maintain good credit quality levels in subsequent life phases.

With Note no. 13 of 20 July 2021, the Bank of Italy adopted these Guidelines in the form of "Supervisory Guidelines". As of said date, these Guidelines shall apply to new loans disbursed and to the valuation, monitoring and revaluation of guarantees carried out after that date. The guidelines on lending procedures and price setting also apply to loans disbursed prior to 30 June 2021 in cases where the contractual terms and conditions are amended on or after 30 June 2022.

At the beginning of 2021, Cassa Centrale Banca began a process to ensure compliance with the EBA Guidelines, which has not yet been fully implemented, involving the formal incorporation of the organisational safeguards required by the EBA into its internal regulations and the implementation of appropriate IT functionalities for their automated management, by both the Parent Bank and the Affiliated Banks.

In particular, in the first six months of 2022, it was resolved to update the Group Credit Regulations (renamed as "Group regulations on loan granting"), with the aim of uniformly defining preconfigured investigative processes in which the Affiliated Banks are called upon to carry out assessments of customers' creditworthiness. The Regulations were sent to the Affiliated Banks for adoption by the deadline of 30 June 2022.

Transfer of tax credits pursuant to art. 119 and 121 of D.L. 34/2020 (so-called Relaunch Decree)

The transferability of tax credits from construction works (including the works under the so-called Superbonus 110) introduced by the Relaunch Decree, has been the subject of repeated regulatory interventions, all aimed at reducing instances of fraud.

In the first six months of 2022, in fact, several pieces of legislation were introduced. First, Law 234/2021 ("State Budget Forecast for the Financial Year 2022") extended the Superbonus subsidy until 2025 and the so-called minor building bonuses until 2024, setting specific deadlines as well as a progressive reduction of the subsidy rate.

With Decree Law 4/2022 (so-called *Sostegni Ter*) an amendment was introduced to article 121 of the Relaunch Decree, providing for the blocking of transfers subsequent to the first transaction: under this regulatory provision, credit transferred by the taxpayer or by the company that recognised the discount on the invoice could be used by the transferee (be it a bank or a third party) only in compensation.

Subsequently, Decree Law 13/2022 made changes to the provision contained in *Sostegni ter* Decree, providing that the credit transferred by the customer (be it the beneficiary of the discount or the company that recognised the discount on the invoice) could be the subject of further transfers, but with specific constraints and up to a maximum of two times. In fact, under the Decree Law the next two transfers would take place exclusively in favour of banks and intermediaries registered on the list referred to in article 106 of the Consolidated Banking Act, to companies belonging to banking or to insurance groups authorised to operate in Italy.

Law 34/2022 - converting, with amendments, Decree Law 17/2022 establishing urgent measures to limit electricity and natural gas costs, to develop renewable energies and to relaunch industrial policies - intervening again on article 121, paragraph 1, of the Relaunch Decree, provided that the Banks, in relation to the credits for which the number of possible transfers has been met, may proceed with a further transfer exclusively in favour of the parties with which they have entered into a current account agreement, without the option of further transfer. Decree Law 50/2022 further amended this provision, specifying that "*banks, or companies belonging to a banking group registered on the register referred to in article 64 of Legislative Decree no. 385 of 1 September 1993, are always permitted to assign their current accounts to private professional clients, as referred to in Article 6(2)-quinquies of Legislative Decree no. 58 of 24 February 1998, who have entered into a current account agreement with the bank itself, or with the parent bank, without the right to further transfer*".

Indeed, the legal framework is still not fully defined and continues to evolve, particularly considering intentions of the legislator to intervene further on the subject.

Moreover, in addition to the regulatory sources listed above, specific circulars of the Italian Revenue Agency intervened during the period to clarify their concrete application in greater detail. These include Circular 23/E of 23 June 2022, which concerned the issue of liability profiles arising from the purchase and use of tax credits.

Considering the continual development of the regulatory context, Cassa Centrale Banca promptly notified the Affiliated Banks of the changes as they occurred, providing - through the IT outsourcer - the appropriate procedural implementations where necessary.

Investment services

By Consob Resolution no. 21755 of 10 March 2021, the regulation of the expertise and skills of personnel authorised to provide information/ advice for MiFID purposes was amended (Title IX, Part II, Book III of the Intermediaries Regulation) and substantially revised according to a principle-based approach. With this review, intermediaries are called upon to consider how to set up the most suitable internal organisational processes to ensure quality training and professional training for their employees. In this way, the Authority intends to allow greater flexibility in the organisational control units of each intermediary based on the principle of proportionality and the reference to the standards contained in the ESMA/2015/1886 Guidelines of 22 March 2016. The Parent Company concluded updating Group regulations.

On 12 April 2022 ESMA published the translation into the official languages of the European Union of the "Guidelines on certain aspects of the MiFID II appropriateness and execution only requirements". In response, by the notice of 25 May 2022, CONSOB declared to have ensured compliance with the guidelines by providing for their integration into its supervisory practices. The Guidelines provide operational guidance on how to implement the obligations under MiFID II for intermediaries providing investment services under the appropriateness and execution only scheme and will become effective on 12 October 2022. The Parent Company is currently implementing a project to revise the current Group model for the provision of consultancy services and suitability assessments, taking into account the Guidelines with regard to the provision of executive investment services.

Market Abuse

On 13 April ESMA published the translation into the official languages of the European Union of the "Market Abuse Regulation (MAR). Delay in the disclosure of inside information and interactions with prudential supervision", replacing the pre-existing Guidelines. In response, by the notice of 10 June 2022, CONSOB declared to have ensured compliance with the guidelines by providing for their integration into its supervisory practices. The Guidelines set out an indicative, non-exhaustive list of legitimate interests of issuers that could be adversely affected by the immediate public disclosure of inside information and of situations in which a delay in the disclosure of inside information could mislead the public. The Parent Company started integrating Group regulations.

Usury

During the first half of 2022, the final version of the Instructions for the collection of the TEGMs under the Usury Law, which had been put out for consultation on 20 May 2020 and for which the consultation itself had ended on 20 July 2020, was not published.

Pending the release of the final regulations by the Bank of Italy, the impacts of the regulations under consultation were analysed to identify the main areas of adjustment.

As soon as the final regulations are issued, adaptation activities will be carried out, including the preparation of a Group regulation on the subject (currently in progress). The internal regulations will also regulate the Group's IT controls for the implementation of the guidelines set forth in the Supreme Court's ruling on the significance of interest on arrears for usury purposes (see ruling no. 19597/2020). In this regard, it should be noted that, pending the release of internal regulations, the IT procedure has in any case already been amended in accordance with these guidelines.

Remuneration policies

The 37th update of the Bank of Italy Circular 285/2013 on remuneration and incentive policies and practices in banks and banking groups, which came into force at the end of 2021 (24 November 2021), transposed the changes introduced by Directive (EU) 2019/878 (CRD V) and the EBA Guidelines on sound remuneration policies pursuant to Directive 2013/36/EU (EBA/GL/2021/04) and set the deadline for the adjustment of remuneration and incentive policies as the Shareholders' Meeting called to approve the 2021 financial statements. This amendment, which first involved the Affiliated Banks and the other Group Companies, was concluded through the approval by the Shareholders' Meeting of Cassa Centrale Banca on 30 May 2022 of the Group 2022 Remuneration and Incentive Policies (adopted by the Parent Company's Board of Directors on 31 March 2022). At the same juncture, the "Implementing Technical Standards on public disclosures (ITS) by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013" were submitted to the Shareholders' Meeting of the Parent Company for approval on the basis of the new models introduced by Commission Implementing Regulation (EU) 2021/637 of 15 March 2021.

As part of the overall process of compliance with the European regulations on the subject, during the first part of the year the process of identifying the most relevant Personnel, both at individual and consolidated level, was carried out in application of the criteria established in the document "Group Policy and Regulations for the Identification of the Most Relevant Personnel", approved by the Board of Directors on 13 January 2022, transposing Delegated Regulation (EU) 923/2021 of the European Commission of 25 March 2021 ("Regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in article 92(3) of that Directive").

On 30 June 2022, the EBA published two final drafts of the Guidelines:

- "Draft Final report on Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU", updating the remuneration benchmarking guidelines following the introduction of Directive (EU) 2019/878 (CRD V), extending the relative information to the gender pay gap;
- "Draft Final report on Guidelines on the data collection exercises regarding high earners under Directive 2013/36/EU and under Directive (EU) 2019/2034, updating the data collection guidelines for so-called high earners following the introduction of Directive (EU) 2019/878 (CRD V) and Directive (EU) 2019/2034.

The Parent Company will monitor the next steps in the regulatory process with a view to the applicability of these Guidelines (translation into the official languages of the European Union, communication by the competent authority of its compliance or intention to comply, etc.), where appropriate, taking steps to prepare any adjustments or activities that may be necessary to provide the relevant information.

Anti-Money Laundering

The regulatory framework on anti-money laundering and countering the financing of terrorism has been supplemented as follows:

Law 15/2022, entitled "*Conversion into law, with amendments, of Decree Law 228 of 30 December 2021, concerning urgent provisions on legislative terms*" which entered into force on 1 March 2022, made amendments to Legislative Decree no. 231/2007. The amendments concerned the identification of customers without the physical presence of the customer, the protection of those who report suspicious transactions, and limits on cash transfers between private individuals. In particular, the law postponed the effective date of the change to the transfer limit to EUR 1,000 to 01 January 2023, thus extending the EUR 2,000 limit until 31 December 2022.

In the light of the financial analysis of reports of suspicious transactions and information exchanges with foreign counterparties associated with the pandemic situation and taking into account changes to regulations, the Financial Intelligence Unit, following its previous Notices dated 16 April 2020 and 11 February 2021, provided further updates and specifications, with a Notice dated 11 April 2022, on the risks related to tax credit transfers, also considering the National Recovery and Resilience Plan (NRRP). The Notice was circulated to the Affiliated Banks for prompt consultation.

In the Official Gazette no. 121 of 25 May 2022, the Decree of the Ministry of Economy and Finance (MEF) no. 55 of 11 March 2022 was published, on the "Regulation concerning provisions on communication, access and consultation of data and information on the effective ownership of companies constituting a legal entity, private legal entities, trusts with legal effects relevant for tax purposes and legal institutions similar to trusts". The Regulation lays down provisions on the disclosure to the Business Registry Office of data and information on the effective ownership of companies constituting a legal entity, private legal entities, trusts with legal effects relevant for tax purposes and legal institutions similar to trusts for their registration and maintenance in the autonomous section and special section of the Business Register and related data access. The Decree came into force on 9 June 2022. The operation of the register is subject to the adoption of the relevant implementing provisions.

On 14 June 2022, the EBA published the final draft of the Guidelines, entitled "*Final Report. Guidelines On policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849*". The final draft of the Guidelines details, also at group level, the role, duties and responsibilities of the management body - responsible for anti-money laundering and countering the financing of terrorism (AML/CFT) obligations - and of the compliance officer. Once the translation of the Guidelines into the official languages of the European Union is complete, the competent authorities are required to notify the EBA of their compliance or intention to comply with the Guidelines.

On 23 February 2022, the European Union adopted a package of restrictive measures, further strengthened in the following months and reflected in the notices issued by the Financial Intelligence Unit, relating to actions that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, including measures against designated parties aimed at freezing funds and economic resources. Cassa Centrale Banca has complied with the measures by listed the designated parties to its internal sanctions list, making the necessary notifications on the deposits of Russian and Belarusian entities to the Financial Intelligence Unit and adopting specific safeguards.

Privacy

Presidential Decree no. 26 of 27 January 2022 was published in Official Gazette no. 74 of 29 March 2022, defining the operation of the new Public Opt-Out Registry which covers all numbers, both landline and mobile, not in public telephone directories, in accordance with the provisions of Law no. 5 of 11 January 2018.

Pursuant to the provisions of the Decree, as from 27 July 2022 it will be possible to include in the Public Opt-Out Registry all landline numbers, including those not entered in a public telephone directory, and mobile telephone numbers. The Registry must be consulted regardless of the manner in which the processing of numbers is carried out, i.e. with or without a telephone operator, but also more generally by automated calling systems without the intervention of an operator.

For this reason, the Parent Company is currently revising the Marketing and Privacy guidelines pursuant to Circular prot. no. 75 of 27 January 2021.

The Data Protection Authority also stated that without the guarantees provided by the EU Regulation, the website, which uses the Google Analytics (GA) service, breaches data protection law because it transfers user data to the United States, a country without an adequate level of protection.

The Authority therefore drew the attention of all Italian website operators, both public and private, to the unlawfulness of transfers made to the United States through GA, and called on all data controllers to verify the compliance of the use of cookies and other tracking tools used on their websites, with particular attention to Google Analytics and other similar services, through personal data protection law. In this regard, the Parent Company is currently conducting the appropriate investigations.

Administrative liability of entities

On 23 March 2022 Law no. 22 of 9 March 2022 came into force: “Provisions on crimes against the cultural heritage”. The reform incorporates the criminal offences currently divided between the Criminal Code and the Cultural Heritage Code (Legislative Decree No. 42/2004) into the Criminal Code, under the new Title VIII-*bis* (“Crimes against the cultural heritage”), introducing new offences and raising the relative penalties, and thus implementing Italy’s constitutional principles to ensure the strengthened protection of the country’s cultural and landscape heritage.

The intervention also amends Legislative Decree no. 231/2001 by providing, in the new articles 25-*septiesdecies* and 25-*duodevicies*, for the administrative liability of legal entities when offences against cultural heritage are committed in their interest or to their advantage.

On 28 March 2022 Law no. 25 of 28 March 2022 came into force: “Conversion into law, with amendments, of Decree Law no. 4 of 27 January 2022, on urgent measures to support businesses and economic, labour, health and regional service operators, related to the Covid-19 emergency, as well as to limit the effects of price increases in the electricity sector”.

The interventions introduced by the legislation, which makes changes to some of the offences provided for in the Criminal Code, have affected some of the predicate offences referred to in article 24 of Legislative Decree no. 231/2001 in order to extend the criminal protection of public resources, including fraud in the context of subsidies granted by the State to promote economic recovery (“superbonus”), by modifying certain criminal offences which were already subject to corporate liability.

On 1 February 2022, Law 238 of 23 December 2021, “Provisions for the fulfilment of obligations arising from Italy’s membership of the European Union – European Law 2019-2020”, entered into force, in order to adapt the domestic system to EU legislation (also following some infringement proceedings initiated by the European Commission against Italy).

Specifically, the most significant changes relate to three categories of criminal offences relevant to corporate liability resulting from an offence (Legislative Decree no. 231/2001):

- amendment of certain predicate crimes falling within the category of computer crimes (predicate crimes referred to in article 24-*bis* of Legislative Decree no. 231/2001) which were already subject to corporate liability;
- amendment of a predicate crime falling within the category of crimes against the individual (predicate crimes referred to in article 25-*quinquies* of Legislative Decree no. 231/2001);
- amendment of a predicate crime falling within the category of Market Abuse (predicate crimes referred to in article 25-*sexies* of Legislative Decree no. 231/2001).

Cassa Centrale Banca started the analyses aimed at identifying the consequent changes to be made to the Organisational, Management and Control Model pursuant to former Legislative Decree no. 231 of 8 June 2001. This activity was concluded with the approval by the Board of Directors of the update of the Model on 12 May 2022, which incorporated the regulatory interventions mentioned above as well as those that took place in November 2021, as noted in the previous Report (i.e. Legislative Decree no. 184/2021 of 8 November 2021 and Legislative Decree no. 195/2021 of 8 November 2021).

Climate and Environmental Risks

On 24 January 2022, the European Banking Authority (EBA) published the final draft ITS on Pillar 3 disclosures on ESG risks (EBA/ITS/2022/01). In particular, the final draft of the ITS proposes comparable disclosures that represent institutions' exposure to climate risks, as well as key performance indicators (KPIs) aimed at representing the funding granted towards activities classified as environmentally sustainable under the EU taxonomy.

Further interventions

Moreover, as part of the banking prudential regulations, note the following regulatory updates the analysis and assessment of which have led to the possible revision, completed or still in progress (depending on the date of their publication), of the corresponding internal regulations and/or the implementation of further adjustments:

- publication by the EBA on 13 January 2022 of the "Guidelines on improving resolvability for institutions and resolution authorities". These Guidelines establish the requirements to improve resolution methods that must be met by institutions and resolution authorities by 1 January 2024.
- publication by the EBA on 10 June 2021 of the final version of the document called "Final Report. Revised Guidelines on major incident reporting under PSD2", transposed by means of a Bank of Italy notice on 29 October 2021, on its website, implementing for payment service providers the updated EBA Guidelines on the reporting of serious accidents pursuant to the PSD2 Directive (EBA/GL/2021/03). The Guidelines set out the criteria for classifying serious operational or security accidents, as well as the contents, format and procedures for reporting these accidents to the national authorities. Compared to the previous version, the framework is updated to strengthen and, at the same time, simplify the reporting system of serious accidents in the light of the experience gained. In particular, a new warning criterion related to the breach of security of the network or information systems is introduced, with the aim of better capturing accidents resulting from malicious action that has compromised the availability, authenticity, integrity or confidentiality of the network or information systems (including data) related to the provision of payment services. Moreover, to reduce the reporting cost on PSPs, the EBA proposed to remove some unnecessary steps in the reporting process by allowing more time for the submission of the final accident report to the authority (from two weeks to 20 working days). At the same time, the Authority proposed to simplify and streamline the serious accident reporting form, also with a view to aligning the various EU accident reporting frameworks. The new Guidelines repealed and replaced the previous 2017 Guidelines and entered into force on 1 January 2022.

Main legislative and regulatory interventions related to the Covid-19 pandemic

On 1 January 2022, Law no. 234/2021 concerning the "State Budget for the 2022 financial year and multi-annual budget for the three-year period 2022-2024" entered into force, which provided for the start of a gradual withdrawal of the extraordinary public measures implemented to combat the pandemic.

The provision mainly concerned:

- the moratoria pursuant to Decree Law 18/2020 (so-called "Cure Italy Decree"), which were withdrawn on 31 December 2021; as of this date, the Affiliated Banks could only consider granting "ordinary" moratoria;
- Loans pursuant to Decree Law 23/2020 (so-called Liquidity Decree), with the reduction of the guarantee percentage, the reinstatement of the one-off guarantee fee to be paid to the SME Guarantee Fund, and the reintroduction, as of 1 July 2022, of the default probability assessment model for access to the guarantee;
- the extension to 30 June 2022 of the SACE Italy guarantee;
- the extension to 31 December 2022 of the exceptions to the "Solidarity Fund for mortgages for first-time buyers" (so-called Gasparrini Fund) guidelines and to the "Guarantee Fund for mortgages for first-time buyers" guidelines (so-called Consap mortgages).

Cassa Centrale informed constantly the Group Banks of the regulatory changes introduced, guiding the IT implementations that have become necessary to align with the new law provisions.

Operating performance of the Cassa Centrale Group

Performance indicators of the Group

The main performance indicators for the six months to 30 June 2022 are shown below.

RATIOS	30/06/2022	31/12/2021	% change
STRUCTURAL RATIOS			
Loans to customers * / Total assets	49.7%	50.6%	(1.8%)
Direct funding / Total assets	70.9%	71.5%	(0.8%)
Net equity / Total assets	7.5%	7.7%	(1.7%)
Net loans / Direct funding from customers	70.1%	70.8%	(1.0%)
PROFITABILITY INDICES			
Net profit / Net equity (ROE)	12.4%	4.7%	161.1%
Not profit / Total assets (ROA)	0.9%	0.4%	138.3%
Cost / Income **	57.3%	61.5%	(6.8%)
Interest margin / Net interest and other banking interest	69.6%	59.3%	17.3%
Net commissions / Net interest and other banking interest	26.6%	30.7%	(13.2%)
Net interest and other banking interest / Total assets	2.8%	2.6%	9.9%
OPERATING EFFECTIVENESS INDICES			
Operating costs / Traded volumes ***	1.1%	1.0%	6.0%
Traded volumes per customer (million) ****	12.6	12.7	(0.8%)

* Loans to customers include loans and advances to customers at amortised cost and fair value, thus differing from the exposures to customers shown in the financial statements;

** Indicator calculated as the ratio of operating costs to net interest and other banking income;

*** The traded volumes are calculated considering the gross performing loans to customers, the total funding excluding the repos component with Cassa di Compensazione e Garanzia;

**** The number of employees of the Group is taken from the figure on the reference date.

The indicators shown represent the main operating trends of the Cassa Centrale Group as at 30 June 2021.

With regard to structural ratios, loans to customers represent 49.7% of the total consolidated assets of the Cassa Centrale Group, confirming the predominant activity of the Affiliated Banks aimed at financing the reference territory, households and small economic operators in the context of their business activities. Direct funding from customers remained the Group's main source of funding, accounting for 70.9% of total assets. The ratio of net loans to direct funding from customers stood at 70.1% as at the end of June, down from the previous six month period, confirming the Cassa Centrale Group's high degree of liquidity.

In the first six months of 2022 the Group's profitability rose: the ROE, calculated as the ratio of annualised net profit to net equity, was 12.4%, while ROA[5], calculated as the ratio of annualised net profit to total assets, was 0.9%.

Productivity, measured as the traded volumes per employee ratio, stood at 12.6 million in June 2022, confirming the direction taken by the Cooperative Banking Group to pursue a process of progressive industrial efficiency. The impact of operating costs on traded volumes was 1.1%, in line with the data as at December 2021 of 1.0%.

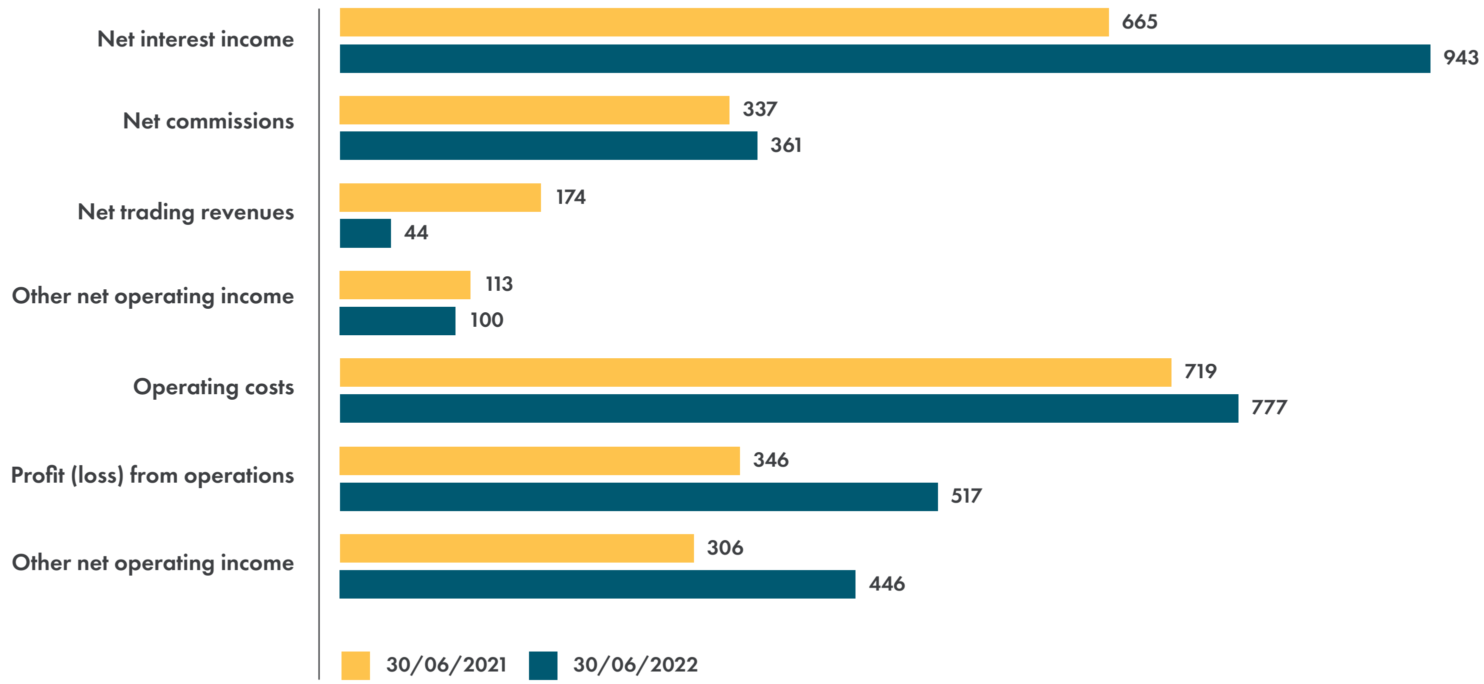
The following paragraphs provide a brief description of the Group's main income statement and balance sheet aggregates, together with further management evidence commenting on the indicators previously reported.

Summary of results

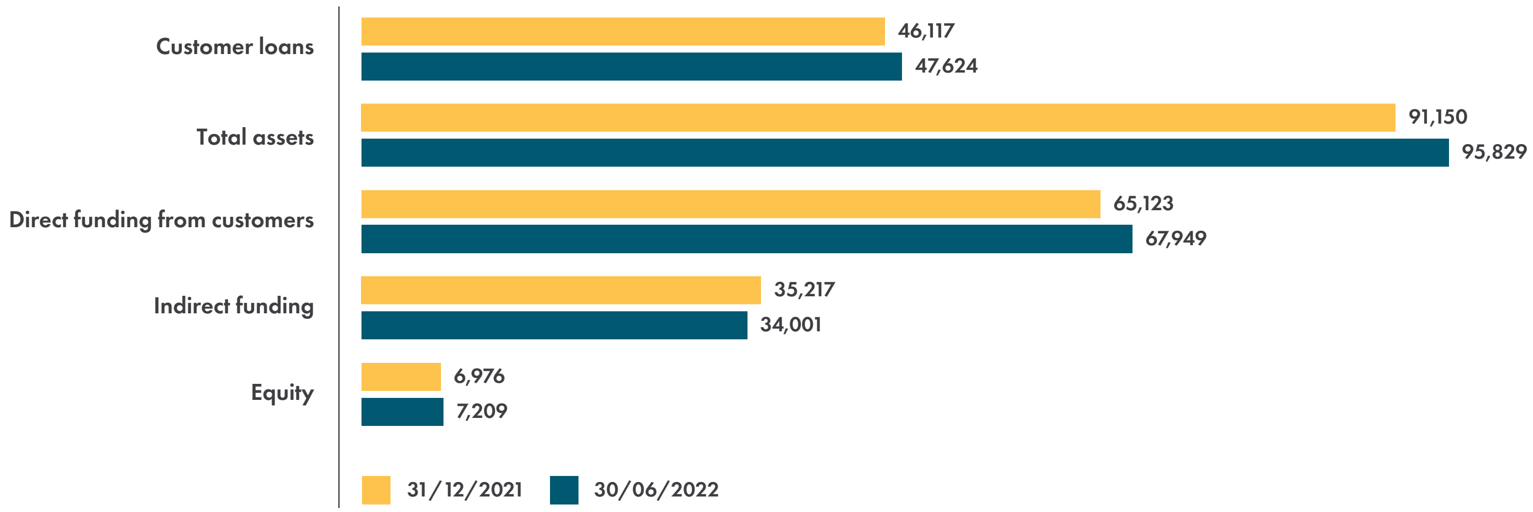
A graphic representation of the results of the main items in the income statement and balance sheet is provided below. Please refer to the specific sections for details of individual items.

5 The ROA is calculated in accordance with Directive (EU) no. 36/2013 (the so-called CRD IV).

Consolidated income statement figures (millions of euro)



Consolidated balance sheet figures (millions of euro)



Economic results

Reclassified income statement [6]

(Figures in millions of euro)	30/06/2022	30/06/2021	Change	% change
Interest margin	**943**	**665**	**278**	**41.8%**
Net commissions	361	337	24	7.1%
Dividends	3	2	1	50.0%
Net revenues from financial activities*	48	175	(127)	(72.6%)
Net interest and other banking income	**1,355**	**1,179**	**176**	**14.9%**
Net value adjustments/write-backs	(62)	(113)	51	(45.1%)
Income from financial activities	**1,293**	**1,066**	**227**	**21.3%**
Operating charges **	(867)	(825)	(42)	5.1%
Net allocations to provisions for risks and charges	(7)	(5)	(2)	40.0%
Other income (charges)	97	111	(14)	(12.6%)
Profit (loss) from disposal of investments and equity investments	1	(1)	2	n.s.
Gross current result	**517**	**346**	**171**	**49.4%**
Income tax	(71)	(40)	(31)	77.5%
Profit (loss) for the year for minority interests	(1)	1	(2)	n.s.
Net income of the Parent Company	**445**	**307**	**138**	**45.0%**

* This item includes Net result from trading, Net result from hedging, Profit (loss) from disposal/repurchase of financial assets, and Net result form other financial assets and liabilities designated at fair value through profit or loss.

** This item includes personnel costs, other administrative expenses and operating amortisation/depreciation.

As at 30 June 2022, the net interest and other banking income of the Cassa Centrale Group stood at EUR 1.4 billion, up by EUR 176 million compared to the same period in the previous year. The Group's margins are mainly attributable to the interest margin, up EUR 278 million, reflecting the predominantly traditional banking activities of the Affiliated Banks.

Net commission rose to EUR 361 million, confirming the constant commitment of the Cassa Centrale Group to developing the service margin.

Net revenues from financial activities fell compared to the end of 2021 and stand at EUR 48 million.

Net value adjustments amount to EUR 62 million as at the end of June 2022. Total allocation for impaired loans, which stand at 76%, remain among the

[6] In order to provide a better management representation of the results, the reclassified consolidated income statement figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 7th Update.

highest in Europe, confirming the Group's commitment to safeguard against risk.

The higher operating charges (+5.1%) compared to June 2021 reflect the trend in administrative expenses, as shown below.

Profit before tax amounted to EUR 517 million, up sharply year-on-year (+49.4%), with net profit of the Parent Company standing at EUR 445 million.

Interest margin

(Figures in millions of euro)	30/06/2022	30/06/2021	Change	% change
Financial assets measured at amortised cost not comprising loans	308	112	196	n.s.
Other financial assets and liabilities measured at FVTPL	2	2	-	0.0%
Other financial assets measured at FVOCI	75	16	59	n.s.
Financial instruments	**385**	**130**	**255**	**n.s.**
Net interest to customers (loans)	497	488	9	1.8%
Debt securities in issue	(16)	(23)	7	(30.4%)
Customer relations	**481**	**465**	**16**	**3.4%**
Net interest to banks	**6**	**6**	**-**	**0.0%**
Differentials on hedging derivatives	**(4)**	**(4)**	**-**	**0.0%**
Other net interest	**75**	**68**	**7**	**10.3%**
Total interest margin	**943**	**665**	**278**	**41.8%**

The interest margin in the first six months of 2022 stands at EUR 943 million, up 41.8% (EUR 278 million) compared to June 2021.

This is mainly due to the contribution of financial instruments and reflects the significant increase in the return on inflation-linked securities. The impact of lending activities on the interest margin also increased, up +3.4% compared to the first six months of 2021.

With regard to customer relations, there was a strong increase in existing loans, compared to the substantially stable average yield of the loan portfolio at the end of 2021.

Compared to June 2021, in the direct funding segment the average cost fell, in accordance with the Group's strategy to renegotiate the most expensive and relevant agreements and to pursue their conversion to indirect funding, taking advantage of the Group's strong structural liquidity.

The own securities portfolio contributes to the growth of the Group's comprehensive income, with an increase in revenues from financial assets measured at amortised cost compared to the comparison period (EUR +196 million), making a considerable contribution to inflation-linked state securities.

The item other net interest, which shows an annual positive increase of EUR 8 million, mainly includes interest income accrued on funding transactions at negative rates with institutional counterparties as TLTRO III and PELTRO refinancing transactions.

Net commissions

(Figures in millions of euro)	30/06/2022	30/06/2021	Change	% change
Fees and commissions income	**418**	**380**	**38**	**10.0%**
Financial instruments	63	57	6	10.5%
Management of collective portfolios	32	28	4	14.3%
Custody and administration	2	2	-	0.0%
Payment services	185	161	24	14.9%
Distribution of third party services	46	55	(9)	(16.4%)
Structured finance	-	-	-	-
Financial guarantees given	8	8	-	0.0%
Financing transactions	59	56	3	5.4%
Foreign currency trading	1	-	1	100.0%
Other fees and commissions income	22	13	9	69.2%
Fees and commissions expenses	**(57)**	**(43)**	**(14)**	**32.6%**
Financial instruments	(6)	(6)	-	0.0%
Offsetting and settlement	-	(1)	1	(100.0%)
Custody and administration	(8)	(7)	(1)	14.3%
Collection and payment services	(29)	(21)	(8)	38.1%
Servicing activities for securitisation operations	(1)	(1)	-	0.0%
Out-of-branch offer of financial instruments, products and services	(4)	(4)	-	0.0%
Other fees and commissions expenses	(9)	(3)	(6)	n.s.
Total net commissions	**361**	**337**	**24**	**7.1%**

Net commissions stood at EUR 361 million in June 2022, up 7.1% compared to the first half of 2021, although the last six months were partially influenced by the continuation of the Covid-19 pandemic and the effect on the markets of the geopolitical tensions caused in particular by the conflict between Russia and Ukraine.

The comparison with 2021 shows the increasing contribution of the Payment systems sector, driven by the e-money segment, and the Asset Management and Insurance sector, in line with the increase in the Group's net direct funding across all sectors.

Net result from financial operations

(Figures in millions of euro)	30/06/2022	30/06/2021	Change	% change
Financial assets and liabilities held for trading	9	4	5	125.0%
- Derivative instruments	*9*	*4*	*5*	*125.0%*
- Other	-	-	-	-
Net income from the sale of financial assets and liabilities	71	160	(89)	(55.6%)
Net result from hedging activities	4	1	3	n.s.
Dividends and similar income	3	2	1	50.0%
Net change in value of other financial assets and liabilities	(36)	10	(46)	n.s.
Total net result from financial operations	**51**	**177**	**(126)**	**(71.2%)**

Net income from financial operations in the first six months of 2022 stood at EUR 51 million, down on the comparison period. The change can be attributed to fewer sales of financial assets in the first half of the year.

Operating costs

(Figures in millions of euro)	30/06/2022	30/06/2021	Change	% change
Administrative expenses	(806)	(765)	(41)	5.4%
- personnel costs	*(436)*	*(435)*	*(1)*	*0.2%*
- other administrative expenses	*(370)*	*(330)*	*(40)*	*12.1%*
Operating amortisation/depreciation	(61)	(60)	(1)	1.7%
Other provisions (excluding credit risk adjustments)	(7)	(5)	(2)	40.0%
- of which on commitments and guarantees	(1)	-	(1)	100.0%
Other operating charges/income	97	111	(14)	(12.6%)
Total operating costs	**(777)**	**(719)**	**(58)**	**8.1%**

Operating costs amounted to EUR 777 million as at June 2022, up year-on-year by EUR 58 million (+8.1%).

Personnel costs of EUR 436 million are in line with the same period of 2021 (+0.2%).

The Group recorded an increase in other administrative expenses of EUR 40 million compared to the comparison period. This variation is mainly attributable to the increased investments made by instrumental companies and the higher contributions made by the Affiliated Banks and the Parent Company to the Guarantee Fund.

Depreciation/amortisation, amounting to EUR 61 million, was in line with the first six months of 2021, while other operating income/charges amounted to EUR 97 million, a decrease of 12.6%, mainly due to lower revenues of the instrumental companies from third parties outside the scope of the Cassa Centrale Group.

As at 30 June 2022, the Group's Cost-Income ratio, calculated as the ratio of operating costs to net interest and other banking income, stood at 57.3%, down on the first six months of 2021.

Net value adjustments/write-backs to financial assets

(Figures in millions of euro)	30/06/2022	30/06/2021	Change	% change
Loans to customers	(69)	(115)	46	(40.0%)
- of which write-offs	*(2)*	*(4)*	*2*	*(50.0%)*
Loans to banks	8	2	6	n.s.
OCI debt securities	(1)	-	(1)	100.0%
(Net value adjustments)/write-backs	**(62)**	**(113)**	**51**	**(45.1%)**

Adjustments on customer loans stood at EUR 69 million as at June 2022, down EUR 46 compared to the first six months of 2021.

Net value adjustments/write-backs amount to a total of EUR 62 million, recovering EUR 8 million on loans to banks.

Financial position aggregates

Reclassified consolidated balance sheet [7]

(Figures in millions of euro)	30/06/2022	31/12/2021	Change	% change
ASSETS				
Cash and cash equivalents	738	895	(157)	(17.5%)
Exposures to banks	3,933	3,533	400	11.3%
Exposures to customers	47,624	46,117	1,507	3.3%
of which at fair value	*256*	*284*	*(28)*	*(9.9%)*
Financial assets	39,723	37,235	2,488	6.7%
Equity investments	71	64	7	10.9%
Tangible and intangible assets	1,318	1,328	(10)	(0.8%)
Tax assets	795	778	17	2.2%
Other asset items	1,627	1,200	427	35.6%
Total assets	**95,829**	**91,150**	**4,679**	**5.1%**
LIABILITIES				
Due to banks	16,879	16,611	268	1.6%
Direct funding	67,949	65,123	2,826	4.3%
- Due to customers	*64,890*	*61,388*	*3,502*	*5.7%*
- Debt securities in issue	*3,059*	*3,735*	*(676)*	*(18.1%)*
Other financial liabilities	7	33	(26)	(78.8%)
Provisions (Risks, charges and personnel)	466	473	(7)	(1.5%)
Tax liabilities	55	58	(3)	(5.2%)
Other liability items	3,264	1,876	1,388	74.0%
Total liabilities	**88,620**	**84,174**	**4,446**	**5.3%**
Minority interests	-	1	(1)	(100.0%)
Group's equity	7,209	6,975	234	3.4%
Consolidated equity	**7,209**	**6,976**	**233**	**3.3%**
Total liabilities and equity	**95,829**	**91,150**	**4,679**	**5.1%**

[7] In order to provide a better management representation of the results, the reclassified statement of financial position figures differ from the layouts of the Financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 7th update.

As at 30 June 2022, the Cassa Centrale Group's assets amounted to approximately EUR 95.8 billion (+5.1% compared to December 2021) and consisted mainly of exposures to customers which included loans measured at amortised cost and at fair value totalling EUR 47.6 billion, accounting for approximately 49.7% of total assets. Financial assets were up sharply compared to the end of 2021, with loans to banks amounting to EUR 3.9 billion and the portfolio of own securities that amounted to EUR 39.7 billion, or 41.5% of total assets.

Liabilities are mainly made up of direct funding from customers which, at June 2022, stood at EUR 67.9 billion (+4.3% compared to December 2021) and whose details are shown in the following table. Amounts due to banks totalled EUR 16.9 billion as at June 2022, up on the figure at the end of the previous year (EUR +268 million) and refer mainly to Eurosystem refinancing operations. Group net equity stood at EUR 7.2 billion, including the profit for the period (up +46% compared to December 2021).

Total customer funding

(Figures in millions of euro)	30/06/2022	% impact	31/12/2021	Change	% change
Current accounts and deposits on demand	58,931	86.7%	58,289	642	1.1%
Fixed-term deposits	2,024	3.0%	2,070	(46)	(2.2%)
Repos and securities lending	3,150	4.6%	271	2,879	n.s.
Bonds	791	11.2%	1,165	(374)	(32.1%)
Other funding	3,053	4.5%	3,328	(275)	(8.3%)
Direct funding	**67,949**	**100.0%**	**65,123**	**2,826**	**4.3%**

The climate of uncertainty related to the macroeconomic context contributed, in the first six months of 2022, to the continued propensity of households to save and to a postponement, at least in part, of investment spending by businesses, with a consequent accumulation of liquidity on the technical forms of deposits on demand and current accounts.

The total amount of direct funding from customers of the Cassa Centrale Group stands at EUR 68 million. The prevalence of short-term funding, in the form of current accounts and deposits on demand, was confirmed, amounting to EUR 58.9 billion and representing 87% of direct funding.

Fixed-term funding, in the form of deposits, repos and bonds, amounted to EUR 6.0 billion, equal to 8.8% of total direct funding volumes. Repos include transactions carried out by the Parent Company with the counterparty Cassa di Compensazione e Garanzia for a total of EUR 2.9 billion (compared to EUR 54 million at the end of 2021).

(Figures in millions of euro)	30/06/2022	% impact	31/12/2021	Change	% change
Assets under management	**22,394**	**65.9%**	**23,399**	**(1,005)**	**(4.3%)**
Mutual funds and SICAVs	6,774	19.9%	7,518	(744)	(9.9%)
Asset management	8,034	23.6%	8,486	(451)	(5.3%)
Banking-insurance products	7,585	22.3%	7,396	190	2.6%
Assets under administration	**11,607**	**34.1%**	**11,818**	**(210)**	**(1.8%)**
Bonds	9,483	27.9%	9,377	107	1.1%
Shares	2,124	6.2%	2,441	(317)	(13.0%)
Indirect funding*	**34,001**	**100.0%**	**35,217**	**(1,216)**	**(3.5%)**

* Indirect funding is expressed at market values.

Indirect funding of the Cassa Centrale Group, valued on the market, amounted to a total of 34 billion at the end of June 2022 (-3.5% compared to the end of December 2021). The decrease on the 2021 figure is entirely due to the negative market effect on assets under management, a dynamic linked to the trend of the current macroeconomic scenario.

The negative market effect was partially offset by the steady growth in net funding, demonstrating the Affiliated Banks' commitment to develop the asset management segment. As at 30 June 2022, assets under management stood at EUR 22.4 billion and represented 66% of total indirect funding.

Specifically, the market value of managed assets amounted to EUR 8 billion, with the boost provided by the PIP cash programme mitigating the overall decline in the first half of the year (-5.3%). Mutual funds and SICAVs amounted to EUR 6.8 billion, down 9.9% compared to the end of 2021, while the growth of the banking and insurance segment continued (+2.6%) in line with a consistent trend since the foundation of the Cooperative Banking Group.

The assets under administration amounted to EUR 11.6 billion at June 2022, down 1.8% compared to December 2021. This decline is due entirely to the equity segment (-13%), which bonds were slightly up over the six months (+1.1%).

Percentage composition of funding

PERCENTAGE COMPOSITION OF FUNDING	30/06/2022	31/12/2021
Direct funding	67%	65%
Indirect funding	33%	35%

The Group's total funding, consisting of assets under administration on behalf of customers, amounted to EUR 102.0 billion as at 30 June 2022 and consisted of 67% of direct funding with the remaining 33% represented by indirect funding, with the managed assets component accounting for about 22% of total volumes.

Net loans to customers

(Figures in millions of euro)	30/06/2022	% impact	31/12/2021	Change	% change
Loans at amortised cost	**47,368**	**99.5%**	**45,833**	**1,535**	**3.4%**
Mortgage loans	37,571	78.9%	36,599	972	2.7%
Current accounts	3,682	7.7%	3,367	315	9.4%
Other loans	3,728	7.8%	3,525	203	5.8%
Finance leases	708	1.5%	675	33	4.9%
Credit cards, personal loans and salary-backed loans	1,021	2.1%	909	112	12.3%
Impaired assets	658	1.4%	758	(100)	(13.2%)
Loans at fair value	**256**	**0.5%**	**284**	**(28)**	**(9.9%)**
Total net loans to customers	**47,624**	**100.0%**	**46,117**	**1,507**	**3.3%**

As at June 2022 the Group's net loans to customers amounted to EUR 47.6 billion. Almost all of these are loans measured at amortised cost, amounting to EUR 47.4 billion, which increased by 3.3% (+1.5 billion) compared to December 2021. The aggregate consisted mainly of mortgages, which amounted to EUR 37.6 billion and accounted for 78.9% of total loans to customers, current accounts and other loans. The changing dynamic shows a positive change in terms of both loans to maturity, represented by mortgages (+2.7%), and short-term loans, despite a general context of major uncertainty that has disincentivised investments.

Initiatives to support of businesses, households and the region

Over the last two years, the Italian government has passed important legislative measures to mitigate the effects of the Covid-19 pandemic on the economy. As a result, the Cassa Centrale Group has promptly taken all actions to favour the concession to its customers of the benefits provided by these measures in addition to adhering to specific conventions or agreements including the Addendum to the 2019 Credit Agreement promoted by the Italian Banking Association (Associazione Bancaria Italiana - ABI).

The measures and agreements to support the economy based on moratoria and new state-guaranteed loans were initially planned for a limited duration to 2020 and subsequently - due to the continuation of the challenging pandemic situation - were extended into 2021.

The measures for suspending payments contained in the main legislative intervention to support economic activities (Law Decree no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020) were, in fact, extended for the first time until 31 January 2021 by Law Decree no. 104 of 14 August 2020, converted into Law no. 126 of 13 October 2020, and then until 30 June 2021 by the 2021 Budget Law (Law no. 178 of 30 December 2020). Finally, with Law Decree no. 73 of 25 May 2021, the suspension of mortgage payments, albeit limited to the principal amount only, was further extended until 31 December 2021. In this further round of renewal of facilities, given the partial recovery of the economy due to the good results of the vaccination campaign, the Group recorded requests for renewal of moratoria for a minority of previously suspended mortgages.

The measures aimed at ensuring new liquidity to businesses through access to Government-guaranteed financing (Law Decree no. 23 of 8 April 2020, converted into Law no. 40 of 5 June 2020), after an initial period of validity limited to 2020, were extended until 31 December 2021 for the same reasons.

In the first half of the year, the lending trend continued to benefit from credit support measures, in particular from public guarantee instruments. However, as economic activity recovered up, there has been a pronounced decline in loans under moratorium.

Moreover, in the presence of ample liquid assets accumulated over the last two years, and in an environment characterised by multiple factors of uncertainty (partly due to the geopolitical tensions that led to a marked increase in the costs of certain commodities, especially energy), demand for new loans remained modest in the first half of 2022.

The following table provides data on the situation as at 30 June 2022 of loans that have benefited from Covid-related moratoria (EBA compliant and non-EBA compliant) during the last two years and loans covered by a state guarantee granted until 30 June 2022[8].

MORATORIA GRANTED AS AT 30/06/2022	Number of loans *	Amount ** (Figures in millions of euro)	Performing ** (Figures in millions of euro)	Impaired ** (Figures in millions of euro)	% impaired amount
Existing (suspended repayment plan)	**1,074**	**61**	**55**	**5**	**-**
of which: Households	422	13	10	2	-
of which: Non-financial companies	643	47	44	3	-
Past due (reactivated repayment plan)	**122,291**	**12,201**	**11,360**	**842**	**-**
of which: Households	49,776	4,136	3,866	271	-
of which: Non-financial companies	62,871	7,939	7,372	567	-
Total moratoria granted	**123,365**	**12,262**	**11,415**	**847**	**7%**
of which EBA compliant	83,645	8,929	8,493	436	5%
of which other Covid-related moratoria	33,968	2,772	2,662	110	4%
of which Moratoria subject to forbearance	5,752	561	260	301	54%

* The figure refers to individual positions.

** Gross amount

The number of loans that had not yet resumed normal amortisation under the original plan as at 30 June 2022 fell to a minimal amount (0.49% of the total outstanding debt of all agreements that benefited from a Covid moratorium). This confirms the gradual return to normality seen as at 31 December 2021, despite the fact that other sources of tension in the economy (the war in Ukraine and rising energy prices) are driving a cautious approach in the management of the entrusted undertakings.

[8] Data source: EBA - COVID19 reporting as at 30 June 2022 on legislative and non-legislative moratoria on loans.

LOANS GRANTED WITH A STATE GUARANTEE AS AT 30/06/2022	Number of loans *	Amount ** (Figures in millions of euro)
Total loans granted	**73,240**	**6,082**
By type of customer:		
of which: Households	30,947	853
of which: Non-financial companies	42,040	5,215
By residual duration:		
Less than/equal to 12 months	370	40
More than 12 months	72,870	6,042

* The figure refers to individual positions.

** Gross amount

The possibility of obtaining loans with public guarantees through a simplified selection procedure (the guarantee is issued without any prior selection based on the MCC rating of the applicant) ended in the first half of the year as a result of the planned termination of the effects of the Temporary Framework on 30 June 2022.

Compared to 31 December 2021, the increase in publicly backed loans continued, albeit following a much flatter curve compared to the sharp increase in debt observed with the onset of the pandemic in 2020. New requests in the first half of 2022 were less and less due to the actual difficulties of companies, which at this stage are resorting to guaranteed finance mainly to reschedule their debts in the medium/long term and not to make up for urgent liquidity shortages.

New forms of publicly backed loans are expected in the second half of 2022 based on the new Temporary Framework approved by the European Commission in response to the economic tensions caused by the war in Ukraine.

Credit quality

The Group adopts an extremely rigorous policy in the valuation of impaired loans. Part E of the Explanatory Notes, to which explicit reference is made, provides details of all quantitative and qualitative information on risks and the related hedging policies. Loans granted to customers are the main sources of credit risk for the Group and require precise control and monitoring. A summary by degree of risk relating to loans to customers is provided below.

Customer loans

(Figures in millions of euro)	30/06/2022			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures	**2,736**	**(2,078)**	**658**	**75.9%**
Non-performing	934	(833)	101	89.2%
Unlikely to pay	1,727	(1,218)	509	70.5%
Overdue/past due	75	(27)	48	36.0%
- of which forborne	*1,280*	*(963)*	*317*	*75.2%*
Performing exposures at amortised cost	**47,290**	**(580)**	**46,710**	**1.2%**
- of which forborne	*1,067*	*(108)*	*959*	*10.1%*
Total customer loans at amortised cost	**50,026**	**(2,658)**	**47,368**	**5.3%**
Impaired exposures at fair value	**-**	**-**	**-**	**-**
Performing exposures at fair value	**256**	**-**	**256**	**0.0%**
Total customer loans	**50,282**	**(2,658)**	**47,624**	**5.3%**

(Figures in millions of euro)	31/12/2021			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures	**2,876**	**(2,118)**	**758**	**73.6%**
Non-performing	976	(851)	125	87.2%
Unlikely to pay	1,850	(1,252)	598	67.7%
Overdue/past due	50	(15)	35	30.0%
- of which forborne	*1,395*	*(1,005)*	*390*	*72.0%*
Performing exposures at amortised cost	**45,642**	**(567)**	**45,075**	**1.2%**
- of which forborne	*1,145*	*(112)*	*1,033*	*9.8%*
Total customer loans at amortised cost	**48,518**	**(2,685)**	**45,833**	**5.5%**
Impaired exposures at fair value	**-**	**-**	**-**	**-**
Performing exposures at fair value	**284**	**-**	**284**	**0.0%**
Total customer loans	**48,802**	**(2,685)**	**46,117**	**5.5%**

As at the end of June 2022, the Cassa Centrale Group had net loans to customers of EUR 47.6 billion, compared to a gross exposure of EUR 50.3 billion, and adjustment provisions totalling EUR 2.7 billion, allowing it to maintain an average portfolio coverage of 5.3%.

Net performing exposures amounted to around EUR 47 billion in the first six months of 2022 (EUR 45.4 billion in December 2021), contributing to total loans which increased to 98.6% against 1.4% of net impaired loans, which came in at EUR 658 million.

These ratios confirm the attention of the Cassa Centrale Group to the management of impaired loans despite an economic context of great uncertainty.

In terms of net exposures, as at June 2022 the impaired loans portfolio consisted of non-performing exposures of EUR 101 million covered to 89.2%, and unlikely to pay amounting to EUR 0.5 billion with a coverage of 70.5%. Within impaired exposures, which are transversal to the degree of risk, there are forborne exposures of EUR 0.3 billion, equal to 0.7% of total loans, a decrease of EUR 73 million compared to December 2021.

Performing loans, as at June 2022, show value adjustments of EUR 581 million, representing a coverage level of performing loans of 1.2% (in line with the figures as at December 2021). The item includes forborne positions of which the net value of EUR 959 million (2.0% of net loans), with a coverage ratio of 10.1% (9.8% as at December 2021).

The provisions for performing loans, together with the significant coverage of non-performing and unlikely to pay positions, which increased compared to December 2021, allow the Group to provide significant protection against credit risk. The table below shows the main credit risk management indicators[9].

RISK MANAGEMENT RATIOS	30/06/2022	31/12/2021	Change
NPL ratio	**5.0%**	5.5%	(0.5%)
NPL coverage	**75.9%**	73.7%	2.2%
Texas ratio	**29.5%**	31.6%	(2.1%)

The NPL ratio as at 30 June 2022 decreased from the December 2021 figure to 5.0% (5.5% at the end of 2021). This decrease confirms the improvement in asset quality that the Cassa Centrale Group is pursuing, with a progressive and constant decrease in the stock of impaired loans, in line with the guidelines issued by the Supervisory Authority.

The constant attention paid to the valuation of NPLs is also reflected in the level of coverage of non-performing loans, with a level of NPL coverage of 75.9%, up by 2.2 Bp ompared to December 2021.

The active management of impaired loans and their progressive reduction are reflected positively in the Group's Texas ratio, which in June 2022 stood at 29.5% (31.6% at the end of 2021), while the cost of risk[10] of the credit portfolio amounted to 26 Bp.

[9] The calculation of the indices - NPL ratio, NPL Coverage and Texas ratio (which as its numerator considers gross impaired loans) - was carried out on the basis of the EBA data model (EBA methodological guidance on risk indicators, last updated in October 2021).

[10] The Cost of risk index is determined as the ratio between net adjustments and write-backs for credit risk and net customer loans.

(Figures in millions of euro)

ECONOMIC SECTOR	30/06/2022		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	276	(1)	275
Financial and insurance companies	1,195	(22)	1,173
Non-financial companies	24,045	(1,733)	22,312
Consumer households and other non-classifiable businesses	24,766	(903)	23,863
TOTAL	**50,282**	**(2,659)**	**47,624**

(Figures in millions of euro)

ECONOMIC SECTOR	31/12/2021		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	240	(1)	239
Financial and insurance companies	1,169	(27)	1,142
Non-financial companies	23,199	(1,748)	21,451
Consumer households and other non-classifiable businesses	24,194	(909)	23,285
TOTAL	**48,802**	**(2,685)**	**46,117**

In representing the customer loan portfolio by sector of economic activity, it is clear that the Cassa Centrale Group, reflecting the nature of the Affiliated Banks, is minaly exposed to counterparties represented by consumer households and non-financial companies, which account for 49.3% and 47.8% of total net exposures to customers.

Composition of financial instruments

(Figures in millions of euro)	30/06/2022	31/12/2021	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	275	303	(28)	(9.2%)
Financial liabilities	(1)	(1)	-	0.0%
Banking book assets (FVOCI)	11,487	11,036	451	4.1%
Financial assets measured at amortised cost not including loans (AC)	27,868	25,884	1,984	7.7%
Total securities portfolio	**39,629**	**37,222**	**2,407**	**6.5%**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	7	6	1	16.7%
Trading liabilities (FVTPL)	(4)	(3)	(1)	33.3%
Total derivatives portfolio	**3**	**3**	**-**	**0.0%**
TOTAL FINANCIAL INSTRUMENTS	**39,632**	**37,225**	**2,407**	**6.5%**

The portfolio owned by the Group, as at 30 June 2022, amounted to 39.6 billion (up by EUR 2.4 billion on December 2021).

There was growth in both financial assets measured at amortised cost, which amounted to EUR 27.9 billion, and in banking book assets, the latter up by EUR 451 million since the start of the year.

OTC derivative activities are mainly aimed at hedging the interest rate risk of the Group's banking book and, residually, at brokerage in relation to these types of instruments in favour of client banks, an activity carried out by the Parent Company.

Financial assets

(Figures in millions of euro)	30/06/2022	31/12/2021	Change	% change
Debt securities	**39,161**	**36,707**	**2,454**	**6.7%**
- Mandatorily measured at fair value (FVTPL)	17	16	1	6.3%
- Measured at fair value through other comprehensive income (FVOCI)	11,276	10,807	469	4.3%
- Measured at amortised cost (AC)	27,868	25,884	1,984	7.7%
Equities	**226**	**243**	**(17)**	**(7.0%)**
- Mandatorily measured at fair value (FVTPL)	15	14	1	7.1%
- Measured at fair value through other comprehensive income (FVOCI)	211	229	(18)	(7.9%)
UCITS units	**243**	**273**	**(30)**	**(11.0%)**
- Mandatorily measured at fair value (FVTPL)	243	273	(30)	(11.0%)
Total financial assets	**39,630**	**37,223**	**2,407**	**6.5%**

As at 30 June 2022, the composition of financial assets was almost entirely debt securities (98.8%). The latter are mainly government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in millions of euro)	30/06/2022	31/12/2021	Change	% change
Loans to central banks	3,645	3,273	372	11.4%
Loans to other banks	288	260	28	10.8%
Fixed-term deposits	*77*	*75*	*2*	*2.7%*
Other loans	*211*	*185*	*26*	*14.1%*
Total loans (A)	**3,933**	**3,533**	**400**	**11.3%**
Due to central banks	(15,894)	(15,948)	54	(0.3%)
Due to other banks	(985)	(663)	(322)	48.6%
Current accounts and deposits on demand	*(491)*	*(467)*	*(24)*	*5.1%*
Fixed-term deposits	*(99)*	*(83)*	*(16)*	*19.3%*
Repos	*(288)*	*(10)*	*(278)*	*n.s.*
Other loans	*(107)*	*(103)*	*(4)*	*3.9%*
Total payables (B)	**(16,879)**	**(16,611)**	**(268)**	**1.6%**
NET FINANCIAL POSITION (A-B)	**(12,946)**	**(13,078)**	**132**	**(1.0%)**

At the end of June 2022, total loans to banks amounted to EUR 3.9 billion (+400 million compared to 31 December 2021), and mainly reflects the liquidity held on the ECB target account, amounting to EUR 3.6 billion. Interbank funding of EUR 16.9 billion was up compared to the comparison period (EUR +268 million).

Eurosystem refinancing operations as at June 2022 amounted to a total of EUR 16.0 billion and mainly related to TLTRO-III operations (EUR 16 billion) and PELTRO operations (EUR 116 million).

Fixed assets

(Figures in millions of euro)	30/06/2022	31/12/2021	Change	% change
Equity investments	71	64	7	10.9%
Goodwill	28	28	-	0.0%
Tangible	1,240	1,245	(5)	(0.4%)
Intangible	50	55	(5)	(9.1%)
Total fixed assets	**1,389**	**1,392**	**(3)**	**(0.2%)**

Fixed assets as at 30 June 2022 amounted to EUR 1.4 billion (-0.2% compared to December 2021) and mainly consist of real estate for functional use. Other intangible assets are mainly represented by user licenses and software, while goodwill refers to assets with an indefinite useful life included in intangible assets, as detailed in part B of the Explanatory Notes to the consolidated financial statements.

Consolidated equity

(Figures in millions of euro)	30/06/2022	31/12/2021	Change	% change
Capital	1,274	1,272	2	0.2%
Own shares (-)	(867)	(866)	(1)	0.1%
Share premium	73	73	-	0.0%
Reserves	6,402	6,114	288	4.7%
Valuation reserves	(124)	43	(167)	n.s.
Equity instruments	6	6	-	0.0%
Profit (loss) for the year	445	333	112	33.6%
Group equity	**7,209**	**6,975**	**234**	**3.4%**
Minority interests	-	1	(1)	(100.0%)
Consolidated equity	**7,209**	**6,976**	**233**	**3.3%**

At at June 2022, Group consolidated equity amounted to EUR 7.2 billion, with a trend driven by the variation in reserves and the profit for the period. Own shares represent the capital of the Parent Group withheld by the Affiliated Banks included within the scope of consolidation of the Group pursuant to art. 1072 of Law no. 145/2018.

Reconciliation between the Parent Company's equity and profit for the year and the consolidated equity and profit for the year

(Figures in millions of euro)	Equity	Result for the period
Accounting balances of the Parent Company	1,191	55
Effect of the consolidation of subsidiaries	5,924	452
Effect of the measurement of associates using the equity method	70	1
Reversal of write-downs of equity investments and recognition of goodwill impairment	(18)	-
Elimination of dividends received from subsidiaries and associates		(63)
Other consolidation adjustments	42	-
Balances as per the consolidated financial statements	**7,209**	**445**

Own funds and capital adequacy

Own funds and capital ratios

OWN FUNDS AND CAPITAL RATIOS	30/06/2022	31/12/2021
Common Equity Tier 1 capital - CET 1	7,361	7,272
Tier 1 capital - TIER 1	7,367	7,278
Total own funds - Total Capital	7,370	7,283
Total risk-weighted assets	32,989	32,189
CET1 Capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	22.32%	22.59%
Tier 1 Capital ratio (Tier 1 capital/Total risk-weighted assets)	22.33%	22.61%
Total Capital Ratio (Total own funds / Total risk-weighted assets)	22.34%	22.63%

Risk Weighted Assets

(Figures in millions of euro)	30/06/2022	31/12/2021	Change	% change
Credit and counterparty risk	28,594	27,847	747	2.7%
Credit valuation adjustment risk	231	78	153	n.s.
Market risk	39	139	(100)	(71.9%)
Operational risk	4,125	4,125	-	0.0%
Other prudential requirements	-	-	-	-
Total RWA	**32,989**	**32,189**	**800**	**2.5%**

Own funds for prudential purposes are calculated on the basis of the capital and economic result determined in accordance with IAS/IFRS and the accounting policies adopted, and taking into account the prudential rules in force at the time.

In accordance with the above provisions, own funds derive from the sum of positive and negative components, based on their capital quality; the positive components are fully available to the Bank allowing them to be used in full to cover the overall regulatory capital requirements pertaining to risks.

In June 2022, the Common Equity Tier 1 - CET1 of the Group, determined in line with the regulations and references mentioned above, amounts ot EUR 7,361 million, which Tier 1 capital amounts to EUR 7,367 million and total own funds (total capital) amounts to EUR 7,370 million. The CET1 capital ratio was 22.32% (22.59% as at December 2021), Tier 1 capital ratio was 22.33% (22.61% as at December 2021) and the Total capital ratio was 22.34% (22.63% as at December 2021). Excluding the effects of the transitional regime, with a view to full application of prudential provisions at the same reference date, fully loaded CET1 capital amounted to EUR 6,995 million and the related fully loaded CET1 capital ratio is 21.36%; fully loaded Tier 1 capital amounted to EUR 7,001 million and the related fully loaded Tier 1 capital ratio is 21.38%; and finally, Total capital fully loaded amounted to EUR 7,004 million and the related fully loaded Total Capital ratio was 21.39%.

Main strategic business areas of the Cassa Centrale Group

The Cassa Centrale Group has developed its business and service model through an organisational structure divided into two main areas:

- the Affiliated Banks, which represent the Group's core business through the management of banking activities in the territory;
- the Industrial Group, including the Parent Company and the Companies that offer services to Affiliated Banks in finance, credit, insurance, ICT, NPLs and asset management.

*The Industrial Group refers to a management representation of the main strategic areas of the Group that contribute to the economic and financial results commented on below.

The definition of strategic business areas is consistent with the methods adopted by the governance function for making operational and strategic decisions and is based on internal management reporting.

Affiliated Banks

The Affiliated Banks represent the most important part of the Cooperative Banking Group's consolidated assets and the strength of the Group's current and future development. The Affiliated Banks traditionally operate with the aim of fostering the development of communities and the local economy. The principles of mutuality, which characterise Cooperative Credit, allow the Banks to play a fundamental role in the national banking industry and be an important reference point for households and small and medium-sized enterprises (hereinafter also "SMEs").

The Group's Strategic Plan aims to develop relationships with households and SMEs by making the most of the territorial network and exploiting synergies, the expansion of the commercial offer and economies of scale resulting from belonging to a Group of national importance.

In general, the structure of Cooperative Credit Banks reflects the nature of territorial banks, characterised by high customer funding deriving from historical ties with the territory to which they belong, a prevalence of loans to counterparties represented by households and small companies and a low loan-to-deposit ratio which, from a liquidity perspective, reflects the structural soundness of the Group and the investment of excess liquidity mainly in government bonds.

Below is a summary representation of the main income statement and balance sheet aggregates of the Affiliated Banks, with a focus on the individual territorial areas in which the Group operates.

(Figures in millions of euro)

LOANS TO CUSTOMERS	30/06/2022					Total 30/06/2022	Total 31/12/2021	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Gross customer loans	10,788	10,800	10,664	10,997	4,893	**48,142**	47,005	1,137	2.4%
of which performing	*10,084*	*10,289*	*10,165*	*10,394*	*4,546*	***45,477***	*44,212*	*1,265*	*2.9%*
of which non-performing	*704*	*511*	*499*	*603*	*347*	***2,665***	*2,793*	*(129)*	*(4.6%)*
Value adjustments	687	560	481	540	283	**2,551**	2,562	(11)	(0.4%)
Net customer loans	10,101	10,240	10,183	10,457	4,610	**45,590**	44,442	1,148	2.6%

Total gross loans of the Affiliated Banks amounted to EUR 48.1 billion as at 30 June 2022, an increase of +2.4% compared to the end of 2021. The trend in loans to customers confirms the evolutionary trend underway since the establishment of the Cassa Centrale Group. The annual growth highlights the high commercial dynamism of the Affiliated Banks and reflects, at least in part, the extraordinary government and local measures to support credit.

The regional analysis of the credit disbursed confirms that the operations of the Affiliated Banks are mainly concentrated in the northern part of Italy, in line with the territorial structure of the branches of the Cassa Centrale Group. Looking in detail at the various geographical areas into which the Group is divided, the allocation is homogeneous in four of the five areas, with the exception of the South and Islands areas which, has a lower incidence on total loans due to the smaller average size of each Affiliated Bank operating in that area.

In the first six months of 2022 the growth in performing loans of the Affiliated Banks totalled EUR 1.3 billion (+2.9%), with marked growth in all regions with a range that varies from +4.2% for the North East area to +0.5% for the Trentino-Alto Adige area.

At the counterparty level, the significant exposure of the overall credit disbursed to households and local small and medium-sized enterprises was confirmed, demonstrating the central role of the Affiliated Banks in supporting the growth of the territory.

In line with the Cassa Centrale Group's strategy, the active management of impaired loans continued in the first half of 2022, leading to a further reduction in total non-performing loans (-4.6%). Generally, the ratio of impaired loans to gross loans to customers stood at 5.5%, reflecting a regional trend that varied from 4.7% in the North-East and North West to 7.1% in the South and Islands.

Confirming a strategy of the Cassa Centrale Group that is particularly attentive to credit risk management, and in the presence of a decrease in the total stock of impaired loans, provisions on non-performing loans of the Affiliated Banks stood at 76%, a further increase compared to 73% at the end of 2021. The average coverage levels of the Affiliated Banks remain among the highest in the national banking system.

(Figures in millions of euro)

FUNDING	30/06/2022					Total 30/06/2022	Total 31/12/2021	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Overall funding	22,434	19,899	21,857	18,987	8,007	**91,185**	92,242	(1,057)	(1.1%)
Direct funding	15,048	13,766	14,586	13,280	7,067	**63,747**	63,824	(77)	(0.1%)
Indirect funding*	7,387	6,133	7,272	5,707	939	**27,438**	28,418	(980)	(3.4%)
of which administrated	*1,656*	*1,351*	*2,417*	*1,459*	*457*	***7,339***	*7,595*	*(256)*	*(3.4%)*
of which managed	*5,731*	*4,783*	*4,855*	*4,247*	*483*	***20,099***	*20,823*	*(724)*	*(3.5%)*

* Indirect funding is expressed at market values.

Overall funding of the Affiliated Banks stood at EUR 91.2 billion as at 30 June 2022 (down -1.1% compared to the end of 2021).

Direct funding was EUR 63.7 billion, in line with the previous year (-0.1%), confirming the confidence of depositing customers in the Group's Affiliated Banks.

The distribution of direct funding among regional areas proportionally respects the trend described above for credit volumes and shows, during the first half of 2022, greater growth in the North East area (+1.5%) and a bigger decrease in the Trentino-Alto Adige area (-1.7%).

The different regional areas show a structural surplus of resources in the ratio of lending to funding, which results in a high degree of liquidity for the Affiliated Banks and for the Cassa Centrale Group. The prudent approach to the investment of resources raised by depositors historically characterises the operations of the BCC-CR-RAIKAs.

Total indirect funding of the Affiliated Banks fell to EUR 27.4 billion[11], down by around EUR 1 billion compared to December 2021.

[11] Indirect funding is expressed at market values.

The impact of indirect funding on total funding was 30.1%, in line with 2021, although in a context of a more prudent approach by depositing customers. The regional analysis shows that indirect funding as a percentage of total funding exceed 30% in all areas, except for the South and Islands, where the ratio is 12%.

With regard to the composition of indirect funding, the managed assets and insurance segment represents 73% of total indirect funding.

The performance of the Affiliated Banks' indirect funding was affected by the negative market trend in the first half of 2022, which was reflected mainly in a reduction of volumes in the Managed segment, only partly offset by the positive contribution made by net funding, reflecting the ability of the Affiliated Banks to shift deposits to the indirect component, in line with the Group guidelines. Funding from the Administered segment also fell, while Bancassurance continued to grow compared to the end of December 2021.

Although the particularly challenging economic context slowed down the rate of growth in indirect funding from the managed segment in the first half of 2022, this area remains a central objective for the Cassa Centrale Banca Group, given the significant growth margins available to the Affiliated Banks compared to the rest of the banking industry, having historically favoured the placement of direct funding products. The growth in this segment has been driven and accompanied by important investments in the specialist training of staff of the Affiliated Banks in order to increase their ability to offer Shareholders and customers a high level of advisory support. These investments, supported by the careful research of the Industrial Group's companies for products suitable for BCC-CR-RAIKAs' shareholders and customers, is gradually closing the gap with the system, while maintaining a high level of attention to the quality of the overall service offered to the savings customer.

(Figures in millions of euro)

MARGINS AND COMMISSIONS	30/06/2022					Total 30/06/2022	Total 31/06/2021	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Interest margin	228	192	171	192	101	**885**	640	246	38.4%
Net commissions	61	69	75	68	31	**304**	283	21	7.2%
Net interest and other banking income	286	269	275	279	148	**1,257**	1,083	174	16.1%

The economic contribution from the interest margin for the affiliated banks totalled EUR 885 million, or 70% of net interest and other banking income. Growth compared to the first half of 2021 amounted to +38.4%, driven mainly by the contribution of inflation-linked securities in the securities portfolio and by the increase in income from lending activities, which remains the main source of profit for the Affiliated Banks.

Therefore, the contribution of the interest margin to overall profitability is high, in line with the predominantly traditional banking operations that characterise the Affiliated Banks and the Group as a whole.

The net commissions of the Affiliated Banks totalled EUR 304 million, up +7.2% compared to the first half of 2021.

The commission margin of the Affiliated Banks shows an average contribution to net interest and other banking income of around 24%, with a regional incidence ranging from 27% in the North West to 21% in the Trentino-Alto Adige and South and Islands areas.

The trend of the net interest and other banking income of the Affiliated Banks (+16.1%) is completed by the contribution from dividend and similar income and trading in the Affiliated Banks' own securities portfolio, up compared to the first six months of 2021.

This development is carried out with a strong focus on the protection of shareholders and customers in compliance with the cooperative principles that are the basis of the operations of the Affiliated Banks. This development is carried out with a strong focus on the protection of shareholders and customers in compliance with the cooperative principles that are the basis of the operations of the Affiliated Banks.

Industrial Group

The Industrial Group is represented by the Parent Company and the subsidiaries and associates that operate in different areas of activity, namely:

- ICT and back office services, with the subsidiary Allitude S.p.A. (hereinafter also "Allitude");
- leasing services, with the subsidiary Claris Leasing S.p.A. (hereinafter also "Claris Leasing" or "Claris");
- insurance services, with the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura Agenzia" and "Assicura Broker");
- collective asset management services, with the subsidiary Nord Est Asset Management S.A. (hereinafter also "NEAM");
- consumer credit services, with the subsidiary Prestipay S.p.A. (hereinafter also "Prestipay");
- other ancillary services, with the subsidiaries Centrale Credit Solutions S.r.l.[12], Centrale Soluzioni Immobiliari S.r.l., Centrale Casa S.r.l., Claris Rent S.p.a. and the associate Centrale Trading S.r.l.

The main income statement and balance sheet aggregates of the Industrial Group as at 30 June 2022 are shown below.

(Figures in millions of euro)

LOANS TO CUSTOMERS*	30/06/2022	31/12/2021	Change	% change
Gross customer loans	**2,140**	1,797	343	19.1%
of which performing	***2,068***	*1,715*	*353*	*20.6%*
of which non-performing	***73***	*82*	*(9)*	*(11.5%)*
Value adjustments	**107**	122	(14)	(93.6%)
Net customer loans	**2,033**	1,675	358	21.4%

* Management data including all intra-group eliminations.

With reference to loans to customers, the Industrial Group's contribution mainly refers to the brokerage activities of the Parent Company and its subsidiaries Claris Leasing and Prestipay.

Gross loans to customers totalled approximately EUR 2.1 billion, up EUR 343 million on the end of the previous year (+19%). In particular, there was growth in the portfolio of the Parent Company and of Prestipay, which continues to expand its consumer credit service. Exposures in margins and default funds to Cassa di Compensazione e Garanzia related to repos also increased. Finally, the loan portfolio of Claris Leasing also grew and consolidated, albeit to a

[12] The company Centrale Credit Solutions S.r.l. will be liquidated in the second half of 2022.

lesser extent.

Total gross allocations came to approximately EUR 107 million, down compared to the EUR 122 million at the end of 2021, due partly to the reduction in non-performing loans thanks to a careful and prudent management approach. These fell by around EUR 9 million compared to 31 December 2021 (-12%).

As a whole, net loans to customers of the Industrial Group grew by EUR 358 million compared to the end of 2021 (+21%), reaching approximately EUR 2.03 billion.

(Figures in millions of euro)

FUNDING*	30/06/2022	31/12/2021	Change	% change
Overall funding	**10,766**	8,098	2,668	33.0%
Direct funding	**4,202**	1,299	2,904	n.s.
Indirect funding**	**6,563**	6,799	(235)	(3.5%)
of which administrated	***4,268***	*4,223*	*46*	*1.1%*
of which managed	***2,295***	*2,576*	*(281)*	*(10.9%)*

* Management data including all intra-group eliminations.

** Indirect funding are expressed at market values; ETF financial products are included in the segment.

Total funding of the Industrial Group stands at EUR 10.8 billion and is almost entirely attributed to the Parent Company.

Direct funding (EUR 4.2 billion) grew by around EUR 2.9 billion; this increase is effectively due to the increase in Repos exposures to Cassa di Compensazione e Garanzia.

Indirect funding[13] was EUR 6.6 billion, with around EUR 2.3 billion (35%) represented by the assets under management segment (with transactions mainly related to asset management products), while assets under administration amounted to EUR 4.3 billion and represents around 65% of total indirect funding, with transactions mainly on the bond market. The decrease in funding from assets under management compared to the end of 2021 is due to the negative market trend seen in the first half of 2022.

13 The indirect funding represented refers to the component placed by Cassa Centrale Banca directly with customers and does not include the component placed through Banks.

(Figures in millions of euro)

MARGINS AND COMMISSIONS*	30/06/2022	30/06/2021	Change	% change
Interest margin	**58**	25	32	128%
Net commissions	**57**	53	4	7.1%
Net interest and other banking income	**98**	97	1	1.5%

* Management data including all intra-group eliminations and the residual economic results of fully consolidated entities other than the cohesion agreement.

Compared to 30 June 2021, the composition of Net interest and other banking income has changed, with net commissions and other revenues having a lesser impact: the interest margin more than doubled to come in at approximately EUR 58 million, representing 59% of net interest and other banking income. This growth is mainly due to higher interest on inflation-linked securities and, to a lesser extent, to higher interest income from Prestipay (launched in the first six months of 2021). Net commissions totalled EUR 57 million, an increase of EUR 4 million compared to the same month in the previous year.

Net interest and other banking income was largely unchanged: despite the EUR 32 million increase in the interest margin, the contribution from own securities trading of the Parent Company, which in the first half of 2021 had resulted in significant profits from trading, fell by around EUR 30 million.

Below is a brief review of the Industrial Group, with particular focus on the activities carried out by the Parent Company and the service companies supporting the Affiliated Banks.

1. Parent Company

The establishment of the Group has led to an enrichment of the system of offering financial products and services and to the strengthening of financial risk controls for the entire Group. The range of services offered by Cassa Centrale Banca is divided into the following areas:

- Finance;
- Credit;
- Consumer credit services;
- Payment systems;
- Governance and support.

Finance

In the finance sector, Cassa Centrale Banca offers its Affiliated Banks and other client Banks a complete range of services and products for access to financial markets and for offering depositing customers multiple investment solutions.

Cassa Centrale Banca offers services to access the main bond, equity and derivatives markets both for retail customers and for the management of the owned portfolio: in the first half of 2022, Cassa Centrale Banca carried out transactions on bond markets for approximately EUR 21.6 billion (up by approximately 108% compared to the second half of 2021) and on equity markets for approximately EUR 1.8 billion (+9.6% compared to the second half of 2021).

With regard to operations in the interbank sector, intermediation of refinancing operations with the ECB and securitised financing operations of Affiliated Banks and customers as part of the "Collateral Account" service increased to EUR 16.7 billion at the end of June 2022, compared to EUR 16.0 billion at the end of 2021. At the Cassa Centrale Group level, recourse to refinancing via the Eurosystem amounted to EUR 16.0 billion at the end of June 2022 and was fully represented by participation in the TLTRO-III and PELTRO operations.

OTC derivative activities are mainly aimed at hedging the interest rate risk of the Group's banking book and, residually, at brokerage in relation to these types of instruments in favour of other customer Banks. During the first six months of 2022, OTC rate derivatives were traded for a total original notional amount of EUR 372 million. The types of OTC derivatives in the portfolio are configured into interest rate swaps (IRS) and interest rate options.

A further activity that is carried out within the Treasury support services of Affiliated Banks and customers is foreign currency trading. During the first six months of 2022, the volume of spot and forward foreign currency trading (amounting to EUR 2.19 billion) increased compared with the first half of 2021 (+41.3%).

The Finance Department has always offered services aimed at managing the relationship with savings customers, which over time have become an element of excellence in the overall commercial offer of Cassa Centrale Banca.

Among these, the main products and services offered are:

- **Asset Management:** Cassa Centrale Banca's Asset Management closed the first half of 2022 with EUR 10.8 billion[14] in assets under management and more than 110 active accounts. Despite the worsening of the economic and financial situation and the tensions caused by the war between Russia and Ukraine, during the year the funding trend was positive, with net contributions of over EUR 600 million. However, this was not enough to offset the negative market effect, which brought volumes to below the levels recorded at the beginning of the year. The "PIP CASH Doppia Opportunità" campaign contributed to the positive trend, providing for the remuneration of cash in the management account (gradually invested through the PIP) at a rate of 1.1% for the duration of the plan itself. The initiative was assigned a limit of EUR 700 million, 80% of which had been used as at the end of June 2022. This campaign has further fuelled the growth of planned investment plans (PIP): currently there are more than 26 thousand active accounts. It is an instrument that has proven to be very defensive and useful in managing the most volatile phases of the market, reducing the risk on the timing of entry and offering the possibility for customers to gradually enter the market or take profits without exiting the investment. In a very difficult market environment - with negative results on both the equity and bond components - the management lines were further diversified, along with a cautious approach to the financial duration of securities, which made it possible to mitigate the impact on the portfolios during the most negative phases.

  The performance of the portfolios was in line with or, in some cases, better than the respective market benchmarks.

  Participation in the CCB#LIVE webinar hosted on the digital platform Teams continued. The show discusses market trends, strategies on management lines, market views by Cassa Centrale Banca managers and NEF partner managers, and the analysis of funds and bancassurance products/services. The event is held fortnightly with an average participation of over 700 consultants from the Placement Banks.

- **Funds Partner:** the third-party fund placement platform called Funds Partner is made available to Affiliated Banks and client banks. This is a useful tool for advisors who can access a universe of around 3 thousand funds available through a platform on which Cassa

[14] The amount refers to Asset Management placed directly by Cassa Centrale Banca for approximately EUR 2.3 billion, Asset Management placed through banks for approximately EUR 6.7 billion, Institutional asset management for approximately EUR 1.0 million and pension funds, for which Cassa Centrale Banca has delegated management powers for approximately EUR 850 million.

Centrale Banca has activated a process of definition and maintenance of the list of funds that can be placed (funds with capitalisation of less than EUR 100 million and a track record of less than 3 years are excluded). The platform offers numerous tools provided by Morningstar, the reporting provided by the 13 investment houses and the "example portfolios" compliant with the MiFID risk profile. For these houses, Cassa Centrale Banca also carries out the service of entity appointed to perform payments. As at the end of the first half of 2022, traded volumes stood at around EUR 2.5 billion.

- **Advanced Advisory services:** the advanced advisory service is provided to customers of 15 Banks. Cassa Centrale Banca supports these Banks as advisor in identifying the best investment strategies.

Credit

Cassa Centrale Banca's Credit Department provides support to its Affiliated Banks and Group companies in their lending activities and, with regard to these aspects, guides the direction and coordination of the Cooperative Banking Group. In the Credit area, the Group redefined its credit policy guidelines to consider the post-Covid-19 context. These guidelines were developed in 2021 in anticipation of a growth in world trade and, in particular, a sustained increase in GDP, in the wake of Italy's economic recovery following the 2020 economic downturn triggered by the Covid 19 pandemic. In the second part of the first sixth months of 2022, the sustained recovery seen at the beginning of the year tailed off due to the trade effects of the Russia - Ukraine war and the sharp rise in energy costs.

The main objectives of the Group's lending activities under the guidelines can be summarised as follows: (i) optimising the asset allocation of the portfolio in qualitative and quantitative terms; (ii) strengthening the sales network and repositioning its lending operations; (iii) maximising the use of public guarantees under the Temporary Framework; (iv) preventing the deterioration of credit quality, in the medium term, particularly on the largest risk groups.

The start of 2022 was characterised by a favourable economic situation due to a carry-over effect from a buoyant 2021, in which the general upturn across all activities was accompanied by consolidated value chains, mainly driven by exports. Only domestic consumption, which was adversely affected by a substantial stagnation in labour income, recovered less strongly than initially expected. In the second half of the year, the effects of (i) the war between Russia and Ukraine and (ii) the high level of inflation triggered by rising commodity prices and energy, took the shine off GDP growth in the European Union and, consequently, Italy. Finally, the change in the ECB's monetary policy, with the first interest rate increases, further cooled the economy. This scenario also affected the banking business, which, after a strong start to the first half of the year with very high demand for credit, particularly for investments, and also bolstered by the Temporary Framework, began to slow down. The most noticeable consequences for businesses in the manufacturing segment in the first half of 2022 were the downscaling, compared to the beginning of the year, of (i) loan applications and (ii) durable goods investment programmes. The tourist/hospitality sector continues to show clear signs of recovery from previous years, which were negatively affected by the Covid 19 pandemic.

The change in the operating environment as regards the growth forecasts for the second half of 2021 and the change in the outlook for the future are forcing a revision of the Group's credit portfolio management guidelines. This activity, although started at the end of the first half of 2022, will also cover the entire second half of the year with a specific project on the loan portfolio, aimed at assessing the prospective sustainability of debt by companies, taking into account:

- scenario analyses and assessment of deterioration and impairment rates in the various sectors;
- assessments of the impacts associated with the end of the support measures by law or as defined in the initiative;
- the application of the 2022/23 sector estimates on the 2021 financial statements of individual companies with the aim of making a projection of the expected cash flows and therefore of assessing the sustainability of the debt in the medium term.

In providing the new loans, the utmost attention is still paid to credit quality, product, geographical and above all dimensional diversification. In fact, the dimensional aspect is considered of fundamental importance and represents the cornerstone of the Group's credit product strategy. The logic of spreading the risk over a multitude of small recipients, which has always been the main component of the credit approach of the Affiliated Banks, has been strengthened with the introduction of risk thresholds and through an operational practice pursued in the day-to-day relationships between the Group's corporate structures and the Credit Departments of the individual Affiliated Banks. More space was also given to distributed products (leasing, factoring, personal loans and salary-backed loans) due to their lower risk profile compared to similar banking transactions. With regard to the specific lending activities supported by the public guarantees system (Guarantee Fund and SACE), it should be noted that the Temporary Framework, launched in the midst of the Covid 19 pandemic and extended several times, finally ended on 30 June 2022.

During 2022, the Cassa Centrale Group played a leading role in the territories served by its Affiliated Banks in supporting households and small businesses engaged in the energy requalification of buildings. Thanks to a proprietary management system that integrates all stages of the process, from the reservation of the right to sell to the purchase of the credit and its subsequent offsetting in the Bank's payments and contributions, the Group has been able to respond effectively to a pressing and widespread demand from both established current account holders and many new customers. The Group's operations included all types of originating beneficiaries (households, businesses and condominiums) and all types of facilities, whether grouped together under the generic names of Ecobonus (credits with deductibility in 10 years) or Superbonus (credits deductible in 5 years). The widespread commercial success achieved in the reference markets obliged some banks to supplement their ordinary tax capacity with re-transfer agreements with parties outside the Group, including those not belonging to the financial intermediaries sector, where possible. The relationship with large companies or general contractors was limited to a few cases, confirming the specific role of cooperative credit banks, focused on serving retail and small business customers in their territories. A predominant portion of the energy requalification interventions supported by the Affiliated Banks did not give rise to requests for credit support during the phase that separates the start of the works from the collection of the price for the sale of the tax credit, confirming that these are mainly small unit cuts and that the customers served are concentrated among households with good availability of savings.

In the first six months of 2022, Cassa Centrale Banca signed:

- Framework agreement with ASSINDUSTRIA VENETOCENTRO SERVIZI S.r.l. and with ASSINDUSTRIA VENETOCENTRO: the Cooperative Credit Banks operating in the Veneto Region are deeply committed to supporting local business. In view of this, as a Banking Group the Group recognised the need to sign two framework agreements in order to work with ASSINDUSTRIA VENETOCENTRO and ASSINDUSTRIA VENETOCENTRO SERVIZI S.r.l. to develop a consolidated partnership aimed at providing financial support to the associated businesses and promoting access to credit through the services of Cassa Centrale Banca and/or the Affiliated Banks.
- Istituto per il Credito Sportivo: Agreement the Cultural Heritage Fund established within the Istituto per il Credito Sportivo is divided into two sub-funds, each allocated EUR 10 million, for the recognition of guarantees and the granting of interest subsidies on loans for projects to safeguard and enhance the cultural heritage. In order to: (i) allow the Affiliated Banks to operate under the Agreement in their own name and on their own behalf; and (ii) to standardise the necessary obligations required of the Banks (as defined in the Agreement) towards the Istituto di Credito Sportivo, in accordance with the procedures provided for by law and the applicable operating provisions and/or circulars, an Addendum was signed to the Agreement attached to the Sub-fund Regulation on interest subsidies referred to in article 184, paragraph 4 of Legislative Decree no. 3 of 19 May 2020 and its relative annexes.
- With SACE - Guarantee Italy: contractual addendum and updated checklist to the SACE General Conditions Version 13.0 (ordinary guarantee) and 5.0 (MidCap guarantee) which incorporated the amendments introduced to art. 8, paragraph 2 of Decree Law no. 21 of 21 March 2022 "Accrual of bills for energy consumption for the months of May 2022 and June 2022".
- Agreement with Neosperience Lab S.r.l.: NSP helps businesses to innovate their processes and products using digital technologies and transforming them into business advantages. In order to enable NSP to access the services of Cassa Centrale Banca and the Affiliated Banks to promote its services to business clients (legal entities), a specific agreement with the Banking Group was signed.

- Microcredito di Libertà: definition of the Regulation of the Fondo per il Microcredito di Libertà, the relative guidelines, and the public notice to Banks to express interest in joining the scheme.

In defining the contents of the above, the Credit Cooperative system, together with ABI, provided a contribution to align the operations associated with the initiative as much as possible with the practices in place at Cooperative Credit Banks. To this end, Federcasse also liaised with the Credit Facilitation Service.

During the first half of the year considerable efforts were made towards the SUPPLY CHAIN CONTRACTS (5TH CALL) - AGRICULTURE. Under the National Investments Plan to support the NRRP, the Ministry of Agriculture, Food and Forestry Policies ("MIPAAF") published the new Call (no. 5) for the implementation of supply chain contracts. In the first half of the year, Cassa Centrale Banca took part in the ABI Working Group, aimed at analysing the available regulatory documentation and preparing all the preliminary activities for the initiative, including the drafting of the operational procedure and documentation to support the assessments of the Board of Directors. The publication of the Agreement signed by the MIPAAF and CDP to start the process of joining the measure as a lending bank is pending.

Consumer credit services

Prestipay S.p.A., the Company specialised in consumer and household credit controlled by Cassa Centrale Banca and owned by Deutsche Bank, closed the first six months of the year having continued the growth trend seen in its first year of operation.

As at 30 June 2022, the personal loans disbursed by the Company - which offers financing solutions channelled through the Prestipay brand to the Banks of the Cassa Centrale Group and its customers - recorded volumes of about EUR 130 million, up 26.3% compared to the same period of the previous year.

In terms of the number of transactions, the company processed over 17,000 files, an increase of 33.10% compared to the first half of 2021. The percentage of contracts finalised through the certified digital signature service continued to be gradually consolidated, reaching an overall weight of around 75%.

In relation to the national consumer credit market, the growth recorded by Prestipay in the first six months of the year was higher overall than that of the main competitors. The members of Assofin - the association of the main banking and financial operators in the consumer and real estate loan sector - recorded an increase in total disbursed loans in the first half of the year over the previous year of 15.6% and 28.5% in the personal loans segment alone.

The Company also performed positively in relation to the current context which, especially in the second quarter of the year, was affected by the sudden rise in Covid-19 infections and the consequences of the macroeconomic instability caused by the evolving geopolitical tensions associated with the conflict between Russia and Ukraine.

The increase in Euribor and IRS interest rates, sustained by inflationary pressures and the decisions taken by the central banks in a context of general market tension, affected the pricing policies of the main market players, generating a consistent increase in the rates offered in both the mortgage and personal loan segments.

Thanks to the agility of its business model and supported by a highly efficient IT architecture, a high degree of industrialisation of processes, and a timely monitoring of credit risk, Prestipay S.p.A. was able to stem the impact of the economic situation, ensuring only a moderate impact on the terms offered to customers.

With regard to in-house activities, the Company, which is committed to developing solutions capable of competing in an ever-changing market, also presented some major product innovations with the release of a new microcredit solution based on an innovative application processing system.

The new "Prestipay fast" product, based on a credit scoring model developed and configured exclusively through Prestipay S.p.A.'s proprietary know-how, represents an innovation among the solutions currently on the market and is an effective response to the demand for immediacy and simplicity that increasingly represent the main drivers of consumer choice.

Lastly, the Company is continuing its efforts to strengthen its internal organisational structure and consolidate the services offered to its Affiliated Banks through the hiring of specialised resources, both to further increase its capacity to absorb the daily volumes of loan applications channelled through the banks' branches, and to strengthen its internal and commercial structure.

Payment systems

With regard to settlements, the Covid-19 emergency led to a reorganisation of many activities in order to guarantee the operational continuity of the services provided. Very complex interventions were launched, especially to guarantee the payment of pensions, incentives and subsidies recognised by the Government (and related entities) in favour of citizens and businesses and for cash management. With regard to the latter, the activity carried out during the lockdown in order to guarantee the power supply to the ATMs and to keep the service operational was particularly complex. Moreover, the new applications to manage the payments of subsidies that INPS started to disburse in April 2020 were implemented very quickly and are still being delivered. The Settlements Service also guaranteed the continuous monitoring of the procedures relating to bank transfers, commercial collections, sepa direct debit and check image truncation.

The Service actively participated in the national work group set up within the ABI for the adjustment of the CIT, CAI and Bills procedures following the numerous moratoria introduced by the various regulatory measures resulting from the Covid emergency.

In the first few months of 2022 the Service also took part in the works of the newly founded ABI Working Group on the Digital Euro project.

For the Cash Management Service, note that the migration activities of the Banks were completed with the consequent expansion of the valuable transportation network to all regions of Italy.

The money purchase and sale service provided by Coinservice, which joins the traditional service of transportation of valuables, was activated in 23 Banks of the Group.

The Cash Supply service was activated with the company Euronet for the supply and distribution of certified cash on the proprietary ATM network.

The analysis of the new Sicurcash product, which enables the secure management of valuables directly at large retailers, was completed. The new tool was made available to the entire Group in December 2021.

In addition, in the first half of 2022, the accounting method for cash processing operations by vault operating firms was revised by increasing the level of detail per individual branch, operational point or GDO using the accounting services.

The number of SEPA payments processed in the first half of 2022 increased by 15.30% compared to the same period of 2021, while the number of instant payments rose by 98.76%, representing over EUR 1 billion transferred.

Foreign relations

The beginning of the year was unfortunately characterised by events related to rising inflation, rising commodity and energy prices, and above all the war in Ukraine.

The Foreign Service collaborated with the other corporate departments to define and introduce the necessary control measures following the issuance of the European Regulations aimed at sanctioning Russian entities involved in the conflict.

The unprecedented economic situation had a twofold effect on operations in the first half of 2022: while in the foreign payments segment there was a 41% increase in traded volumes compared to the same period in 2021, in Trade Finance there was a sharp drop in transactions due to the instability of the markets especially in February and March. Documentary credit and Guarantee transactions fell by around 27%.

The Service is also working towards the implementation of the new Release Target2 Consolidation project scheduled for November.

Centralised services

The Centralised Services structure ensured during the period of the pandemic that the main activities were maintained: management of bank and tax inspection files; reports to government bodies and authorities (e.g.

Archivio dei rapporti – ADR [Archive of Reports] and reports concerning the Single Justice Fund); first-level checks on anti-money laundering and countering the financing of terrorism on third-party products (prepaid cards and asset management) placed by BCC-CR-RAIKA members of the GBC and banks outside the Cooperative Banking Group; management of SITRAD encryption keys.

Moreover, the commitment as part of the management processes of the Parent Company and Group database continued, also through direct involvement in dedicated working groups, which led to a strengthening of the operational structure. In this context, new functionalities were released concerning the certification and standardisation of numerous data points. The project to standardise the data table system also began.

Public bodies treasury

The Payment Systems Department also includes treasury activities carried out for several public bodies in Italy. As at 30 June 2022, the total number of bodies managed was 1,054, while 718 bodies had an IT mandate, confirming the ongoing commitment to introducing more modern ways of delivering the service.

E-money

The activities related to E-money are mainly directed at supporting the Banks that subscribed to the 'ABI Unico 3599' service (debit and credit) and that place the prepaid products of Cassa Centrale Banca.

The current health situation has undoubtedly changed the habits of consumers, who increasingly prefer to use payment cards both for purchases in shops and for payments to the Public Administration. Since the end of February 2021, two new solutions for accepting cards on POS are available thanks to the partnership with Nexi: the SmartPOS and the PagoPA POS.

The activities relating to the tokenisation/virtualisation project for debit and prepaid cards were concluded. This is the innovative payment system that allows you to digitise a card within a smartphone and pay on the POS enabled through the Samsung, Google and Apple apps. Samsung Pay was activated in July 2021, Google Pay in August 2021, while Apple Pay was released to customers in February 2022.

Activities for the release of new products (International Debit Card and Bancomat Pay Business) were completed, while a feasibility analysis was launched for an organisational review of the e-money segment with a special focus on the POS offer.

As at 30 June 2022, debit cards stood at around 1.63 million (compared to around 1.58 million in December 2021), prepaid cards at 434 thousand, credit cards at 433 thousand, POS at 77 thousand and ATMs at 2,269.

Governance and support

Also in the first half of 2022, the Parent Company's governance and support functions worked to strengthen the organisational structures and develop the activities of the Cassa Centrale Group.

The Planning Department manages activities aimed at an orderly business development of the Group with a dedicated structure that has constantly transferred the Parent Company's operational and strategic guidelines to the Affiliated Banks, ensuring their effective understanding and implementation.

Activities also continued aimed at:

- management of activities aimed at defining the Group's 2022-25 Strategic Plan;
- supporting activities relating to merger projects among Affiliated Banks started and/or concluded during the financial year;
- the development of an IT platform integrated with all Group Companies with the aim of ensuring consistency between the operating and strategic planning of each individual Affiliated Bank and that of the Group as a whole.

In the first half of 2022, activities continued to strengthen the Administration and Tax Reporting Department, in order to further strengthen the controls aimed at ensuring the correct and timely representation of the Parent Company's individual and consolidated economic and financial results, as well as the fulfilment of the related accounting, supervisory and tax obligations. In this sense, the Parent Company has provided important support to the Affiliated Banks in the management of accounting, tax and reporting processes, as well as in the activities to improve efficiency and correct management of the Group's income statement and balance sheet consolidation processes.

The Operations Department provided continuous support to the Group in a variety of projects and activities aimed towards both the evolution and innovation of products and services for affiliated banks and customers, as well as compliance with external regulations.

The action of the ICT Governance Service has moved along two main lines: regulatory and strategic. In the regulatory sphere, work continued on issuing and accompanying the adoption of the internal regulatory framework, with the aim of achieving regulatory compliance, risk reduction and operational efficiency; a self-assessment according to the EBA Guidelines on ICT Risk Management was also carried out, defining and starting the implementation of the relative remediation plan. In terms of strategy, the new ICT Strategic Plan 22-25 was drafted, in close connection with the previous ICT Strategic Plan and in light of the new Group Business Plan, continuing the implementation and monitoring of the related Strategic Sub-Programmes. Moreover, the ICT Governance Service acts as coordinator of the activities of the Operations Department in contributing to the SRB programme and the relevant CIPA surveys for which it is responsible, as well as in discussions with the Audit Department.

The Information Security Service of the Parent Company, in collaboration with the Cyber Security Operations Service of Allitude, based on the updated assessment of compliance to the international standard NIST (Cybersecurity Framework), updated the 2022-2025 Multi-Year Strategic Security Plan, written in synergy with the Strategic Business Plan and the 2022-2025 Multi-Year ICT Strategic Plan. In the course of 2021, a series of projects of a technical and governance nature were launched, which, starting from the organisational relocation of the Information Security Service reporting to Operations Department Manager, involved the constant updating of the document framework and the updating of the technological infrastructure in relation to Threat Intelligence, EDR, Identity Governance, Incident Management, Anti-Fraud, and Data Classification & Protection processes. Numerous initiatives have been developed to raise awareness of cyber security issues among customers, through multi-channel campaigns and the restructuring of the Inbank security network, and among staff. The contractual requirements concerning information security in third party contracts were updated. Furthermore, in the first half of 2022 the Information Security Service initiated the DORA (Digital Operational Resilience Act) regulatory compliance programme, by conducting Gap Analyses to assess coverage in line with the requirements of the Regulation and to identify the Group's future roadmap with the relevant planning and cost/investment estimates.

At regards the Services Governance Service, in the first half of 2022 cross-cutting initiatives were implemented - starting with the plans and objectives defined at the end of 2021 - aimed at enabling the gradual assumption of target responsibilities and the assumption of its governance and coordination role with respect to the administrative and banking back office services provided by Allitude. In particular, the initiatives focused on three complementary lines of action. On the one hand, processes to be implemented as a matter of priority were identified, considering their relevance, risks and potential benefits, and specific initiatives were launched on these areas to ensure their detailed design and implementation. On the other hand, actions were taken on the specific skill sets of the resources, in particular with regard to project management. Finally, for the processes considered to be most critical, the structure equipped itself with tools and reporting models aimed at strengthening its steering and coordination role with respect to the back office services provided by Allitude. These interventions have been planned according to a system of priorities, laying the foundation for the future development of the structure (with initiatives that will continue for the rest of the year and will be completed in 2023) while still allowing resources to oversee current actions, projects and routine activities.

The Organisation continued the digital transformation programme and provided project support in several areas in the business, governance and support, risks and controls segment. To improve the efficiency of the demand management monitoring and harmonisation process, the relevant internal regulations were updated, and the monthly monitoring of relevant initiatives was activated, with the relative periodic reporting to the departments and corporate bodies concerned. Steps were taken to guarantee the coordination and management of measures to ensure business continuity and critical processes in the emergency context.

The Cost Management and Procurement Service continued the activities aimed at the adoption of the Ivalua technology platform by all Affiliated Banks and Allitude, completing the roll-out of the last three banks in the first quarter of 2022, with the aim of ensuring the oversight of the expenditure management process and the supplier register at Group level. The Ivalua platform was also implemented to manage the supply contracts repository in accordance with the regulations. The Cost Management and Procurement Service has stepped up its support and development activities on the Ivalua platform, confirming its central role in the management of evolutionary and process issues, also by launching working tables with banks to share best practices and share needs with a view to potential developments.

The Corporate Affairs and Shareholdings Department guaranteed operational and administrative support for the activities of the Board of Directors and the Board Committees. The activity of the corporate bodies was particularly intense in the first half of 2022, in particular, note that in the year under review:

- the Board of Directors met 16 times;
- the Risks Committee met 11 times and the Risks and Sustainability Committee (established on 30 May 2022) met 2 times;
- the Appointments Committee met 18 times;
- the Remuneration Committee 12 times;
- the Independent Directors' Committee 5 times;
- the Sustainability and Identity Steering Committee met 4 times;

The advisory service provided to the affiliated banks in the organisation of the meetings was also important. For the Shareholders' meetings held during 2022, in light of the ongoing health emergency, the Affiliates were recommended to repeat the experience of the previous year via the Appointed Representative.

During the first half of the year, support was also provided to the Affiliated Banks on updating their articles of association to ensure their compliance and consistency with the provisions of update no. 35 of Bank of Italy Circular 285/2013.

In the first few months of 2022, the Equity Investments Office, which is part of the Corporate Affairs Department, continued to provide advisory support to affiliated banks and Group companies.

With reference to the corporate officers and the heads of the main corporate functions of the Parent Company, the first half of 2022 was characterised by the appointment of a new Chief Executive Officer/General Manager and a new Chief Financial Officer, as well as the complete renewal of the Corporate Bodies by the Ordinary Shareholders' Meeting of 30 May 2022. The Corporate Affairs and Shareholdings Department constantly provided support in these processes, ensuring compliance with internal regulations and the applicable sector regulations concerning the appointment and suitability assessment phases of corporate officers and the heads of the main corporate functions.

The support provided during the analysis process conducted by the Affiliated Banks for the self-assessment of corporate bodies and the checks pursuant to Article 26 of the TUB on the requirements of the more than 250 corporate officers elected in the first half of the year was particularly intense and demanding. In particular, the meetings in April and May 2022 concerned three key steps: (i) advising the Affiliated Banks during the application, appointment and suitability verification phase of their corporate officers; (ii) preparing the documentation necessary for the verification of the suitability of the corporate officers of the Affiliated Banks conducted by the Appointments Committee and the Parent Company's Board of Directors; (iii) notifying the Supervisory Authorities of the documentation necessary for the verification of the suitability of the corporate officers of the Affiliated Banks and consequent response to requests for additional information or criteria made by the Authorities themselves.

This also included the handling of some particularly sensitive cases in terms of banking governance, with the preparation of material that was then analysed, in joint session, by the Appointments and Risks Committees.

Lastly, in the first half of 2022, technical and regulatory advisory and training activities continued and intensified for the Affiliated Banks and Group Companies on the subject of related-party transactions and conflicts of interest, also following the adoption of the new Group Regulation on Related Party Transactions.

The Legal Department supported the Group Companies and the Affiliated Banks in all aspects related to contracts and the management of claims and ongoing lawsuits with consulting activities. It also coordinated the entry into force of the new Group Regulations for the handling of complaints, which were applied at Group level from 1 June 2021. Two updates to this regulation were prepared, the adoptions of which took place by the Board of Directors of Cassa Centrale Banca on 16 December 2021 and on 14 April 2022; in June 2022 the latter was sent to the Affiliated Banks and Companies falling within the scope of the Group's consolidated supervision for their adoption and entry into force on 1 July 2022.

The entry into force of the new Group Complaints Procedure was also coordinated and approved on 16 December 2021. On 28 April 2022, an update of the aforementioned procedure was approved and forwarded to the Affiliated Banks and Companies within the scope of the Group's consolidated supervision for its adoption and entry into force on 1 July 2022.

The Legal Department was also responsible for coordinating the entry into force of the new Group Regulation for the management of disputes, the updated version of which was approved by the Board of Directors of Cassa Centrale Banca on 28 April 2022, and applied at Group level as of 30 June 2022. The Legal Department, as of 1 July 2022, provided the Affiliated Banks and Group Companies with access to a computer software that allows the recording, management and monitoring of disputes as well as alternative dispute resolution procedures (in particular ABF and ACF) and, where provided for by the Regulation, the intervention of the Parent Company through the relative support and involvement in the management of disputes.

The Cooperative Banking Group is new on the national economic framework and requires investments in communication and media, and coordination of the activities related to the Institutional Relations of the Affiliated Banks and Group Companies. In this respect, the first half of 2022 was characterised by an intensification of the activities carried out by both the Affiliated Banks and the Parent Company, aimed in particular at:

- following the main dossiers on the revision of banking, financial and insurance legislation and regulations, also in coordination with the credit and cooperation trade associations, to represent the unique characteristics and needs of the cooperative banking system (e.g. Fit and Proper regulations, revision of the CRR and CRD);
- providing support to the activities of the Board Steering Committee on Sustainability and Identity, set up on 1 January 2021, which held 4 meetings in the first six months of the year, 2 of which were joint meetings with other Board Committees. The support actions will also continue in the second half of the year, consulting the Risks and Sustainability Committee for issues within its competence;
- examining and interpreting the production of laws and regulations on sustainability/ESG, which is affecting the strategic and operational approach of banks across the board, maintaining constructive relations with the supervisory and control bodies in charge as well as with the category structures;
- acknowledging the Group as an entity with distinctive characteristics within the banking world, enhancing the objectives of sustainable development and the principles and values of the Mutual Credit Cooperation;
- enhancing specific projects, such as the "Community of practice of External Communication Representatives", which brings together the specialist functions of banks and subsidiaries with the aim of pooling the experience of individual companies;
- further increasing, according to a constant and gradual approach, the Group's visibility to the outside world also through social networks, coordinating the activity to enhance the various initiatives activated by the Group and the communication of the Affiliated Banks on these channels;
- continuing the collaboration with Euricse, a research institute specialised in cooperation and social enterprise issues;
- monitoring the implementation of the initiatives defined in the Sustainability Plan, which defines common and coordinated objectives at Group level, achievable and reportable through specific indicators (KPIs);
- updating the projects in the Strategic Plan to consider the enabling ESG factor.

Following the approval of the first Sustainability Plan at the end of 2021, the Institutional Relations Department started monitoring the achievement of the objectives set out in the document, supported by constant awareness-raising activities on the Plan's main topics and with a focus on external communications.

In January 2022 the Board of Directors resolved to launch new projects regarding the governance structure of ESG safeguards. The changes specifically concern the establishment of an ESG Steering Committee (established within the Parent Company's Management Committee), the activation of the ESG PMO reporting to the Institutional Relations Department, and the integration of the duties performed by the Risk and Sustainability Committee, the External Relations and Sustainability Service and the Departments most impacted by the issue (Credit and Finance) into the ESG framework.

In the second half of the year the project will be extended to the Affiliated Banks with the aim of establishing an organisational model for ESG topics and updating the Sustainability Plan.

2. ICT and back office services

Within the ICT Department at Allitude, following the company mergers in 2020, the year 2021 and the first half of 2022 were characterised by the consolidation of operational integration and organisational transformation activities. In the first half of 2022, the project activities of the ICT Department were implemented on the basis of the requirements formulated by the following applicant structures:

- Business (Finance, Credit, NPL, Payment Systems and Centralised Services, Product Company Integration);
- Governance and Support (Corporate Affairs and Equity investments, Legal, Operations, HR, Planning, Institutional Relations);
- Controls (Anti-Money Laundering, Compliance, Internal Audit, Risk Management);
- Transversal and Simplification (ICT, Innovation and transversal projects).

These requirements were formalised in the document of the 2022 ICT Operational Plan and approved by the competent decision-making bodies.

At the same time, the in-house development of new content in relation to the Group's information system continued, the best market solutions were selected and purchased to meet many of the new specialist needs that have emerged.

The projects included in the 2022 ICT Operational Plan are consistent with the evolutionary lines envisaged in the Group's ICT Strategic Plan and can be summarised in the following areas:

- **Omnichannel:** evolution of real-time payment systems and tools; development of Digital Services dedicated to end customers (for the Mobile and Internet Banking channels, in particular); digitalisation of sales processes both inside and outside the branch; integration and evolution of platforms supporting product companies (Prestipay, Claris Leasing and Assicura);
- **Banking Information System:** standardisation of Information System processes and configurations (Register, Transparency, Guarantees and Credit Lines); evolution of the various application modules on the basis of business priorities (dematerialisation of sales processes to make in- and out-of-branch offers more efficient) and the need for regulatory compliance in the areas of finance, credit, anti-money laundering and payment systems; completion of the feasibility study and start of the analysis phase for the Group's new PEF; launch of the Core Banking Modernisation programme with the definition of an evolutionary strategy.
- **Data Management, Analytics & Synthesis Systems:** preparation of an architectural revision plan for the Data Warehouse area with the introduction of a Data Hub layer; preparation of the infrastructure to make a Business Intelligence product with Self BI functions available to users to make them autonomous in consulting the various databases: expansion of the information database available to cover all banking processes; implementation of the Data Governance framework with the introduction of Data Dictionary and Business Glossary that will be progressively enriched with the contents of the various databases;
- **Reporting and Supervisory Systems:** continuation of the migration to the new application platform dedicated to individual Supervisory reporting with market banks in production and parallel in the quarters of June, September and December for three group

banks. This activity is aimed at ensuring that the system is constantly updated to take into account any changes to regulations issued during the reference period; monitoring and adjusting of the Group's consolidation requirements;

- **Technology/Infrastructure:** completion of projects aimed at strengthening the resilience of the infrastructures in charge of providing services; technology refresh of hardware components that find more modern and performing solutions on the market; revision of the WAN connectivity service with the aim of extending the use of broadband for the optimal use of collaboration tools; introduction of additional technological hosting services for user banks; start of the cloud journey to define the policy, architectural framework and governance operating models for the adoption of the public cloud;
- **Governance and Processes:** further consolidation of Demand Management, Project Management, Incident Management and Change Management processes through the refinement of support tools and the appointment of representatives for specific processes to govern and monitor the operating phases; a process of industrialisation of the Performance and SLA Management processes and of re-engineering of the operating model for the provision of support services was started; adoption of processes for managing testing; adoption of methods and tools for the operational implementation of the Group's Enterprise Architecture model.

In the first half of 2022 the Allitude Services Department launched a series of initiatives aimed at strengthening its role of outsourcer to the Group by increasing the volumes managed and developing new administrative and back-office services, in line with the needs of the Cassa Centrale Group. In this context, specific round tables were set up with certain banks to understand their existing operational and organisational models for back office management in order to design, implement and promote new services and - at the same time - define an efficiency strategy, in particular through a process of centralisation towards Allitude or other suppliers.

The initiatives launched in 2021, aimed at increasing productivity and operational efficiency in the delivery of back office services through the introduction of new technological tools (Process Automation) and organisational levers, were continued. In this context, the Services Department and the ICT Department produced a feasibility study to complete the preliminary analyses for the introduction of orchestration (Digital Process Automation) and automation (Robotic Process Automation) platforms on Allitude's back office processes. The first releases of these innovative solutions will be operational from September 2022.

An initial tactical tool was also introduced (the so-called "Operations Tracker') for monitoring the operational performance of the back office processes of the Allitude Services Department, with the aim of introducing continuous improvement logics for the efficiency and quality of services through the analysis of collected data.

At the helm of the Group's operational machine, the Service Governance and the ICT Governance were involved in a continuous set-up of the governance structure with expansion and strengthening of the workforce.

In the face of the Covid-19 emergency, Allitude's need to guarantee the operational continuity of ICT and back-office services for all organisational structures of the Group continued. This role was promptly fulfilled through a number of initiatives, including the qualification of the personnel of Cassa Centrale Banca and Allitude to smart working.

The development activities linked to the implementation requirements of the new policies, regulations and controls of the Parent Company were also important, including those concerning the areas of management of ICT incidents, ICT changes, ICT demand and operating plan, data governance and ICT security. These initiatives see Allitude engaged on both sides: that of provider of IT solutions to support the operations of the Group companies and that of companies that must align their internal practices to the new regulatory requirements, combining them with the effectiveness of internal processes and with the own organisational structure.

Finally, it should be noted that part of the activities carried out by Allitude are carried out not only on behalf of the Group, but also on behalf of other banks not belonging to the Cassa Centrale Group, which use the services it provides: in this regard, the operational and organisational support for the programme to migrate Banks not belonging to the Cassa Centrale Group and operating on the Gesbank IT system to the SIB2000 IT system continued.

3. Leasing services

The offer of leasing services, through specific agreements for the distribution of the product with Group banks, represents an important aspect of the commercial strengthening of the Cassa Centrale Group, which, with reference to credit risk, has reserved for its Subsidiary an increase in direct lending thanks to operations towards this specific loan formula.

While on the one hand the market context appears to have overcome the critical issues and uncertainties resulting from the spread of the Covid-19 epidemic, with positive and encouraging signs of recovery in the macroeconomic variables which have strong correlations with the leasing industry, on the other hand it reflects the recent worrying geopolitical tensions that have produced new vulnerabilities on the markets, especially in the energy market, and exacerbated tensions in the raw materials supply chains, triggering inflationary trends that governments and institutions are seeking to contain. Rising inflation and price increases in the energy and raw materials sectors, exacerbated by the ongoing conflict, increase the risks of a slowdown in household consumption and industrial production.

In a context such as the one described above, the leasing sector in Italy recorded positive results in the first half of the year, with increasing volumes of new contracts, confirming the sector as an important driver of growth and development. Claris Leasing S.p.A., through its services, wants to accompany the investments of small and medium-sized enterprises, customers of the Affiliated Banks of the Cassa Centrale Group, offering support to the territories especially in the difficult economic context following the pandemic and the recent geopolitical tensions.

The positive feedback from the market is reflected in the Company's performance, which thus far has far exceeded expectations for the current year. In fact, during the first six months of 2022, Claris Leasing S.p.A., through the placements made by the distribution network of the Banks affiliated to the Cooperative Banking Group, concluded 904 new leasing contracts for a total of EUR 174 million in new investments. Compared to the figures for the same period in 2021, there was an increase of approximately 41% in the volume of contracts signed. Consistently with the trends of the sector, the growth recorded in the first half of 2022 by the company particularly involved the capital goods sector, also thanks to the Nuova Sabatini incentives, while real-estate leasing, although growing, only intervened to finance properties functional to the activities of the companies. In developing its business, the Company also pays the utmost attention to the most environmentally friendly projects, in line with EU and national policies aimed at enhancing investments in the green economy and the Group's ESG policies. These guidelines also characterise the development programme set out in the strategic plan recently updated by the Company and approved by the Parent Company.

With regard to asset quality, in line with the Cassa Centrale Group's objective, the gradual reduction of non-performing exposures continued through a strategy of disposals managed directly by the Company. The gross NPL ratio stood at 6.0% in June 2022, a marked improvement from 7.2% in December 2021 and 9.4% at the end of 2020. Supported by a prudent provisioning policy, the ratio of net impaired exposures to total leasing receivables was 2.0% at the end of the first half of 2022, down from 2.2% as at 31 December 2021 and 3.1% in 2020. In line with the Parent Company's directives, the coverage of non-performing loans was exceeded 90%.

In total, in the first six months of the year Claris Leasing S.p.A. recorded a net profit of EUR 1.7 million.

The services offered by the Cassa Centrale Group are further enhanced by the products offered by the company Claris Rent S.p.A., established in December 2019 with the Parent Company Claris Leasing as sole shareholder.

Claris Rent S.p.A. was established with the aim of developing a business project involving the marketing of services in the field of long-term rentals, initially through the intermediation of third-party products, and operating leases. The commercial strengthening of the Cassa Centrale Group thus embraces new services, expanding and supplementing the range of products offered to customers of the Cassa Centrale Group through the distribution channels of the Affiliated Banks.

The Company was launched during a rather complicated economic context, first due to the spread of the Covid-19 pandemic and then due to the recent pronounced geopolitical instability. The economic crisis caused by these events involved a combination of various destabilising factors with significant impacts on the Company's business, in particular the shortage of micro-chips that also affected the production of vehicles, the shortage of raw materials and the difficulties in the logistics sector that also affected the availability of rentable assets to and generated significant critical issues for the range of products offered by Claris Rent S.p.A. In order to limit the effects of the delayed delivery of new vehicles, the following proposals were made: (i) the use of the vehicles in the warehouse of commercial partners (with frequent updating of the "product showcase"), (ii) short-term rentals to cover the delivery time window, (iii) free rentals and/or free fuel cards for new subscribers to NLT contracts.

With regard to the range of rental products on offer, in the previous financial year the Company had already launched a campaign of agreements with the BCCs of the Cassa Centrale Group that were willing to promote rental products to customers in its portfolio with the aim of identifying and anticipating their needs. As at 30 June 2022, 16 Affiliated Banks of the Cassa Centrale Group, located in the North of Italy, have signed the agreement and another six are in the process of joining.

The communication and promotional campaigns with Affiliated Banks are continuing to increase customer loyalty. These activities are supported by the slogan "Choose your car at the Bank" and the use of online showrooms displaying the options offered by Claris Rent. In the first half of the year, these dedicated sites recorded 12,500 new registered users and some 13,200 site visits, thus also demonstrating the important "implicit memory" of repeat product visits. A series of webinars was also recently launched, aimed at engaging corporate customers of the Affiliated Banks on corporate mobility issues and, thanks to the communication activities, high interception rates of retail customers about to purchase a new car (over 95% of estimated potentials) were achieved, proving the effectiveness of the promotional policies adopted.

During the first six months of 2022, the Company brokered 112 long-term rental deals with fees determined by commissions, including future payments (this result was nonetheless affected by the documented shortage of vehicles to register) and has 420 active lease contracts in place for a countervalue of EUR 1.5 million. These results made it possible to reach a total production value of EUR 342,000 as at June 2022, while the result for the period remains negative by EUR 207,000, also negatively affected by the consequences of the complex economic situation following the Covid-19 pandemic and the recent worrying scenarios on the geopolitical front.

The offer of services in the leasing sector is supplemented by the collaboration agreement between the Parent Company and Fraer Leasing S.p.A. belonging to the French Group Société Générale. During 2022, this agreement allowed the distribution network of the Cooperative Banking Group to sign 571 contracts for a total amount of approximately EUR 105.1 million.

4. Insurance services

The development of the insurance segment, which is managed by the company Assicura Agenzia S.r.l., wholly owned by the Cassa Centrale Group, and the subsidiary Assicura Broker S.r.l., continued at a consistent pace during the first half of 2022, accelerating the trends of previous years.

The support offered to the 70 Affiliated Banks and 10 member banks outside of the scope of the Cassa Centrale Group enabled an increase in new production that was significantly higher than the market trend, particularly in the protection segment. In the first half of the year, in fact, the member banks had arranged more than 121,000 new contracts, exceeding EUR 540 million in new premiums, with gains in almost all lines of business above the targets shared during the planning phase, with growth of +17% in the primary lines of business, +9% in motor TPL, +33% in credit protection insurance and +3% in supplementary pensions, contrasted by a 5% decline in temporary life insurance policies (attributable to the greater spread of the more extensive cover offered by Credit Protection Insurance) and a 23% drop in volumes in the financial life sector (above the 9.5% year-on-year decline estimated by ANIA and attributable to the unavailability of Business Line I products).

To continue to develop the offer, both in terms of products and services, and to seize the significant and as-yet unexplored potential, the signing at the end of May of the partnership between Assicura and the Assimoco Group companies, with the involvement of the respective parent companies Cassa Centrale Banca and R+V, was an important step. The new agreement will guarantee Assicura stable conditions over the next five years to strengthen the Banks' capacity through the implementation of the Sicuro catalogue, with new products (both in the financial sector and aimed at new sectors such as agriculture or corporate welfare) and updates to existing ones; it will also allow the distribution model to be further streamlined both from a contractual and an operational point of view, and activate new services such as direct claims settlement service. It will also significantly increase profitability for the Banks.

In parallel with the activities aimed at establishing the partnership, the provision of training courses continued to enhance the network's ability to offer increasingly professional advice to meet the protection needs of private and SME customers, as did the planned streamlining of the portfolio in order to reduce the management complexities caused by the proliferation of the number of products, and to update the existing policies with the more extensive and protective solutions for customers offered by the products in the Sicuro catalogue.

To foster customer relations and, at the same time, reduce costs and time for the physical archiving of documents to ensure the collection of signatures, advanced electronic signatures via OTP were introduced for all products in the protection sector.

The action taken, both in terms of new business and in terms of maintaining the existing portfolio, led to more than EUR 6.9 billion of premiums under management as at 30 June 2022, of which almost EUR 6 billion related to investment instruments, more than EUR 668 million to supplementary pension plans, while more than EUR 281 million of premiums were attributable to insurance coverage in the protection sector. This activity also generated commissions for the Banks amounting to EUR 26.4 million, an increase of 15.3% compared to the first half of 2021.

The progressive growth in the percentage of commissions accrued from the development of protection products is worthy of note, reaching 49% of total revenues, despite the evident imbalance in terms of volumes of assets under management, guaranteeing more stable banking profitability thanks to the recurrence of commissions collected and the increased retention of the non-life portfolio.

Net commission income for Assicura Agenzia exceeded EUR 5 million, an increase of 20.7% compared to 30 June 2021, and contributed to a half-year net profit of EUR 2,452,528.

After reaching agreements with customers and companies on the renewals of insurance plans expiring on 31 December, in the early months of 2022 Assicura Broker has been engaged in managing and reporting renewal activities to customers. This has improved the level of security for the Group by continuing to align the insurance coverage levels of the individual Affiliated Banks and Group Companies.

In particular, in the management of Civil Liability policy renewals for the Company's Management and Control Bodies, Assicura succeeded in limiting cost increases, and guaranteed coverage to all client Group Companies, despite the complexities of the current market situation and the reduction of available companies.

With regard to the Businesses and SMEs sector, thanks to the sales activities conducted in 2021 the number of corporate customers increased, with a particular focus on policies covering trade receivables. Finally, after new branches were opened in 2021, new hires were made in Brescia and Cuneo to strengthen the business unit.

Overall, there was an increase in brokered premiums and commissions collected in the first six months of 2022. Commissions collected totalled EUR 3.1 million, an increase of 6.83% compared to the first half of the previous year, bringing the half-year net profit to about EUR 1.37 million, compared to EUR 1.29 million in the first half of 2021.

5. Collective asset management services

NEAM is the Luxembourg-based asset management company wholly owned by Cassa Centrale Banca which manages the NEF Mutual Investment Fund composed of 18 different sub-funds.

The NEF Fund is placed by all Affiliated Banks and by numerous customer Banks that mainly use Cassa Centrale Banca as the entity appointed to perform payments, i.e. as intermediary called upon to carry out activities to support customers in the administrative, accounting settlement and tax phases.

Thanks to the good results of the BCC-CR-RAIKA commercial network and despite the challenging market conditions, assets under management maintained a total amount of over EUR 5.4 billion at the end of June 2022, with a fall of 6.24% since the beginning of the year, while the shares amounted to 404 million, with an increase of 7.07%.

The 6.24% drop in assets under management to EUR 360 million was the result of positive net funding of EUR 272 million and a negative market contribution of over EUR 600 million. During the period, CAPs (Capital Accumulation Plans) made a positive contribution of around EUR 450 million to funding, while CIPs (Capital Investment Plans) contributed a negative net result of EUR 170 million. With regard to the CAPs, there was net growth with almost 16,000 new openings during the year, totalling 528,000 units, which are equal to monthly deposits of around EUR 70 million.

Specifically, the data show a significant growth of the ethical sub-funds compared to the other products: in particular NEF Ethical Balanced Dynamic recorded a share increase of 18%, NEF Ethical Global Trends SDG was up +24% and NEF Ethical Balanced Conservative was up +12%.

In the NEF range, two sub-funds exceed EUR 500 million in size (Ethical Balanced Dynamic and Euro Equity), while several other sub-funds have now passed the EUR 300 million mark. There was also significant growth in the percentages of the NEF Global Equity 11%, NEF Euro Equity +12%, NEF Pacific +17% and NEF Us Equity +18% equity segments. Bonds, on the other hand, saw marginally more divestments with the exception of the Global Bond (+25%) and Target 2028 (+45%).

In confirmation of the high quality of its operations, in the first half of the year NEAM once again received two very important awards: for the third consecutive year it was on the podium in the Sole 24 Ore High Performance Award according to the analysis carried out by the independent company CFS Rating, which confirmed NEAM S.A. as Best Management Company - Italian Small Funds for 2021; moreover, Lipper awarded NEF with the title of Refinitiv Lipper Fund Awards Winner Europe 2022 as Best Overall Small Fund Family Group at three years. The Company also won the award in 2021.

6. Other services

Centrale Credit Solutions S.r.l. (hereinafter also “CCS”) mainly provides consultancy services for extraordinary financial transactions such as the sale of impaired loans, securitisations and project financing. CCS also provides administrative support to other Group companies operating in the real estate sector, through specialised companies in the sector.

The Extraordinary Shareholders’ Meeting of 4 March 2022 resolved to put the Company into voluntary liquidation for the following reasons:

- the need for significant organisational changes to the Centrale Credit Solutions structure;
- the guaranteed continuity and development of the sale and securitisation of impaired loans;
- generational renewal with new and younger professionals entering the business;
- an extremely specialist knowledge base that can be better developed within a more appropriate organisational structure.

These assessments led to the decision to internalise the Company’s activities within the Credit Department of the Parent Company, also with a view to streamlining and containing administrative costs.

During the pre-settlement period, Centrale Credit Solutions S.r.l. was mainly involved in the completion of its activity as advisor to the second securitisation transaction of the Cassa Centrale Group supported by the state guarantee GACS. This operation, known as Buonconsiglio 4, involved 38 Italian credit institutions (29 belonging to the Group), for an amount of non-performing loans sold for approximately EUR 579 million in terms of gross book value.

For CCS, the pre-liquidation financial statements show a gross profit of approximately EUR 939 thousand.

During the liquidation period, the company carried out all activities required by current regulations to collect receivables, pay suppliers, and manage, transfer or dispose of assets on the balance sheet.

The liquidation process is expected to be completed and the companies closed by 30 September 2022 through the transfer of residual assets totalling over EUR 4 million to the sole shareholder Cassa Centrale Banca S.p.A.

Centrale Soluzioni Immobiliari S.r.l. (hereinafter also "CSI") was set up to allow for the purchase, sale and exchange of real estate assets, including the development or completion of the same with a view to their re-placement on the market. This activity is carried out mainly as an ancillary activity to the activities of Cassa Centrale Banca, with the aim of safeguarding the creditworthiness of impaired loans secured by real guarantees.

In the first half of the year, CSI duly continued - through specialised companies - the construction, completion and maintenance of the sites concerning the real estate acquired through bankruptcy proceedings and sold two flats, with their garages and outbuildings, in the Province of Rovigo.

Against revenues from sales of owned properties and annual rents, less costs, a loss of approximately EUR 98 thousand is recorded.

Centrale Casa S.r.l., is the Group's real estate brokerage company and carries out its activities with the aim of supporting the Affiliated Banks in meeting the needs of customers intending to sell or purchase residential, tourist, artisan, commercial and industrial real estate. Functional services are also offered to facilitate the purchase and/or sale of real estate.

Its market activities are brokering between supply and demand and offering real estate and rental consultancy services as well as property value estimates. Activities are also carried out on behalf of the Banks and Companies of the Group to facilitate possible partial disposals of real estate assets.

Operations are carried out in compliance with the regulations in force and in a completely autonomous manner, implementing all the necessary control units for the separation of activities from banking and financial activities.

Business in the first half of 2022 was still partially affected by the Covid-19 restrictions, but there was a general recovery in the real estate market linked to increased demand. The general scenario of uncertainty generated by the Russia-Ukraine war, rising inflation and restrictive monetary policies led to a partial cooldown of the market in the second half of the year.

As of 30 June, contact had been made with around 800 potential new customers and more than 400 specific requests were received for properties all managed exclusively by Centrale Casa. There were 47 visits to acquire sales orders and more than 250 "in-person" customer visits to the properties. There were 12 real estate sales assignments contracted, with 11 transactions. These activities are complemented by leasing, consulting and appraisal activities.

Activities and investments on online and social media channels continued, with good results from the company website and specialised portals. The company and the properties in the portfolio also achieved high visibility thanks to marketing in magazines and local newspapers.

Originally established to provide support and assistance to banks that use the online trading service offered by Directa Sim, over the years Centrale Trading S.r.l. (hereinafter also "Centrale Trading" or "CT") has entered into agreements with several companies: Italpreziosi S.p.A. for trading gold in its physical form; Six Financial Information, Infoprovider for finance offices; WebSim for financial reporting; MasterChart, which provides customer appointment management, counter queue management and digital signage services as well as traditional financial reporting solutions.

There were 150 affiliated credit institutions as at 30 June 2022.

Risk management and internal control system

The Cassa Centrale Group is operating in a macroeconomic context characterised by several elements that set it apart from the past, not only relating to the still uncertain prospects of the economic recovery after the start of the war in Ukraine, the inflationary trend and the Italian political context, as well as the ongoing measures issued in Europe and Italy, but also with reference to the reform of Cooperative Credit itself.

The risk governance model, i.e. the set of corporate governance mechanisms and management and control mechanisms aimed at facing the risks to which the Group is exposed, is part of the broader framework of the internal control system (so-called "SCI"), defined in accordance with the prudential regulatory provisions contained in Circular no. 285/2013 of the Bank of Italy. These provisions require the adoption of a series of detailed actions in relation to organisation, processes and internal devices of the company.

The Group attaches great importance to the management and control of risks, in order to ensure prudent and effective management of banking activities, in compliance with the Group's cooperative principles and mission. In particular, the Parent Company, in the exercise of management and coordination of the individual Group Companies, establishes and defines the duties and responsibilities of the control bodies and functions within the Group, the coordination procedures, the reports, information flows and related connections, in compliance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. In addition, it issues provisions for the execution of the instructions provided by the Supervisory Authority in the interest and for the stability of the Group.

In this context, the Group attributes strategic importance to integrated risk and control management, as this constitutes:

- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the Corporate Bodies of the internal Control System to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

The Group pays particular attention to risk management and governance in order to ensure the constant evolution of its organisational/procedural controls and methodological solutions. These functions are carried out with tools to support effective and efficient governance of risks, also in relation to changes that have permeated the reference operational and regulatory environment. As required by the regulations on the reform of Cooperative Credit, the outsourcing of the Company Control Functions of the Affiliated Banks at the Parent Company has been made operational and it is therefore the task of the latter to define the guidelines on risk measurement and management.

Cassa Centrale Banca, as the Parent Company, carries out management, coordination and control activities in order to guide the Group towards business objectives consistent with the distinctive features of each Group Company and in line with balanced risk management. These objectives are intended to define:

- the organisational structures suitable for identifying and managing the risks to which the Group is exposed;

- the strategic guidelines aimed at safeguarding the Group's equity, economic and liquidity structure;
- the actions to be taken to safeguard the shared goals of the Affiliated Banks, in compliance with the Cohesion Contract and the related Guarantee Agreement to which the Affiliated Banks and the Parent Company are mutually committed.

The methodological framework used is based on a precise management of the different types of risks to which the Group is exposed and is characterised by a unitary vision of the company risks considering both the macroeconomic scenario and the individual risk profile. In addition, it aims to stimulate the growth of a culture of risk control, reinforcing a transparent and accurate representation of risks to the benefit of immediate "governability" by top management.

The general principles that guide the Group's risk-taking strategy are set out below:

- the company's business model is focused on the traditional business of a commercial credit group, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the Group's entire operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The risk-taking strategies are summarised in the Risk Appetite Framework (known as RAF), which represents the reference framework that defines - in line with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, and the reference processes necessary to define and implement them.

The Group's RAF represents the framework within which company risk management is developed and it is broken down into:

- general principles of risk propensity;
- monitoring the Group's overall risk profile;
- monitoring of the main risks specific to the Group.

In other words, the RAF provides the framework for determining the Group's risk appetite that:

- acts as a tool for strategic control, relating risks to the business strategy and translating the mission and strategic plan into qualitative and quantitative variables;
- operates as a tool for risk management and control, linking risk objectives to business operations and translating them into constraints and incentives for the structure.

As a fundamental tool to ensure that the Group's strategy is in line with the Risk Profile, the RAF is not only addressed by top-down leadership of the Bodies and Management of the Parent Company, but is also implemented with the active bottom-up involvement of the individual Banking Group Companies. The RAF is therefore founded on a management model that is consistent with the operational functionality and complexity of the Group itself, and has been developed considering the materiality of the risks to which the Group is exposed. It establishes ex-ante the risk/return objectives that the Group intends to achieve and the resulting operating limits. Conceptually, the RAF could be defined as the variability of the risk-adjusted results that the Group is willing to accept for a given operating strategy.

Therefore, it represents the overall approach, including the governance policies, processes, controls and systems, through which the risk appetite of the Group and each Group company is established, communicated and monitored. It is an integral part of the decision-making processes for developing and implementing the strategy and approach to risk management and enables the determination of a risk management policy based on the principles of sound and prudent business management; it is distributed and promoted at all levels of the organisation, facilitating the integration, understanding and adoption of the concept of risk appetite within the corporate culture. It includes the Risk Appetite Statement (RAS), the Risk Limits, and an overview of the roles and responsibilities of those responsible for overseeing the implementation and monitoring of the RAF. It must be able to ensure consistency between business models and strategic guidelines, capital planning and the employee remuneration plan.

The development of the RAF involves the implementation of an integrated set of corporate regulations, operational processes, information flows, and controls through which risk appetite is established, communicated, and monitored. To ensure the timely identification, measurement and assessment of risk, the RAF is supported by the company's information and management reporting systems. The RAF takes into account the specific operations and related risk profiles of each of the entities belonging to the Group to ensure their integration and provide consistency in terms of the Group's operations, complexity and size.

As such, the definition and implementation of the RAF cannot be separated from the company's strategic decisions and the related budgets/ implementation plans, the specific business model used, and the overall level of risk involved in terms of exposure. The definition of the risk appetite also represents a management tool that, in addition to enabling a concrete application of the prudential measures, makes it possible to:

- strengthen the capacity to govern and manage corporate risks;
- support the strategic process;
- facilitate the development and promotion of an integrated risk culture;
- develop a fast and effective system for monitoring and communicating the risk profile.

The Risk Management Department is responsible for preparing and managing the Group's RAF and has the task of proposing the qualitative and quantitative parameters necessary for its definition, as well as drafting the Group's Risk Appetite Framework Regulation, which defines the management process and illustrates the underlying principles of the RAF.

In order to achieve an integrated and coherent risk governance policy, strategic decisions at Group level (in the context of which those relating to the RAF play a major role) are made by the Parent Company's corporate bodies, assessing the overall operations and risks of the entire Group and also paying the utmost attention to the characteristics of the different businesses and local contexts.

The Parent Company has therefore adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance of the individual Group Companies and, in particular, their organisation, technical situation and financial position.

In line with the Group's organisational structure, in order to achieve the uniform governance of the RAF process, strategic decisions on this matter are referred to the corporate bodies of the Parent Company. In this regard, the corporate bodies perform their duties considering not only to the business reality of the Parent Company, but also by assessing the overall operations of the Group and the risks to which it is exposed.

The Corporate Bodies of the Group Companies must acknowledge the RAF process management policies defined by the Corporate Bodies of the Parent Company, and to this end individual RAFs are defined. Consequently, they are responsible for the implementation of the risk management strategies and policies defined by the Corporate Bodies of the Parent Company, in line with individual company characteristics.

The Parent Company provides the oversight for the RAF, ensuring consistency between the operations, complexity and size of the Group and the RAF itself.

In order to represent the material risks of the Group's business model, the Group's RAF is based on an structured and detailed risk identification process, carried out also for the purpose of the risk mapping required by the Internal Capital Adequacy Assessment Process (ICAAP) in line with the respective Policy. To this end, individual Group companies may be involved in the definition of the RAF and contribute relevant information on their operational and market environment and their corporate risk profile.

The RAF defines the following thresholds:

- Risk Profile, indicates the risk actually assumed, measured at a given time on a current or forward-looking basis;
- Risk Appetite, i.e. the level of risk that the Group intends to assume in order to pursue its strategic objectives;
- Alert Threshold, i.e. the system of risk thresholds which, if exceeded, provides for reporting at appropriate levels and activation of any corrective actions in order to avoid reaching or exceeding the Risk Tolerance;
- Risk Tolerance, i.e. the maximum deviation from the Risk Appetite allowed; it is set in such a way as to ensure sufficient margins to operate, even under stress conditions, within the maximum assumable risk;
- Risk Capacity, i.e. the maximum risk that the Group is technically able to assume without violating regulatory requirements or other restrictions imposed by shareholders or by the Supervisory Authority.

The indicators included in the RAF are monitored both at a consolidated level by the Risk Management Department, and at an individual level through the Internal Representative and by the Head of the Risk Management Department for the other Group Companies with an independent risk management function. The process is formalised through the preparation of an adequate overview report of the corporate risk profile, which provides an overall and integrated view of the other risk processes (such as ICAAP, ILAAP, Individual Risk Focus and most significant transactions) with a view to guaranteeing effective reporting to the Corporate Bodies of the Group and of the individual Group Companies at least on a quarterly basis.

In conclusion, the definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

Risk map

The Group has defined the relevant risk map, which constitutes the framework within which all risk measurement/assessment, monitoring and mitigation activities are carried out. The risk mapping process considered the following aspects:

- the specific characteristics of the Group;
- its current and future operations;
- the context in which it operates;
- the provisions laid down by the Regulators;
- market best practices.

To this end, the Group has identified all of the risks to which it is or could be exposed, i.e. risks that could affect its operations, the pursuit of strategies and the achievement of corporate objectives.

Risk mapping, carried out at Group level and implemented during the definition of the RAF (approved by the Board of Directors of the Parent Company), is itself the result of the activities aimed at drawing up the ICAAP/ILAAP Report. These activities, preparatory to the review and updating of the map of significant risks of the Cooperative Banking Group, led to the updating of the Risk Map and of the relevant "Policy for the identification of the Group's Significant Risks", approved by the Board of Directors of the Parent Company at the meeting of 31 March 2022.

The risk mapping process, defined by the Group Policy for the Identification of Significant Risks, represents the starting point of all the Group's strategic processes, through a structured and dynamic approach and the engagement of:

- at centralised level, the Risk Management Department;
- the other Departments of the Group, within their area of competence, and of Group Companies. In particular, a specific risk mapping questionnaire was presented to a specific sample of Group Companies and Parent Company Structures in order to enhance their role in relation to individual operational characteristics and the analysis of the findings.

In accordance with the requirements of the "ECB Guide on the Internal Capital Adequacy Assessment Process (ICAAP)", the risk identification process is carried out following a "gross approach", i.e. without considering the specific techniques aimed at mitigating the underlying risks. The analysis was therefore carried out by evaluating the Group's current operating conditions, as well as potential ones, in order to identify any risk profiles already present in the current context yet not adequately captured by the pre-existing mapped categories, or to anticipate types of risk historically not relevant for the Group, but likely to become such in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in the company's operations. This analysis also takes into account the principle of proportionality.

The process of identification of the Group's significant risks is a fundamental recognition process for the whole system of risk management as it constitutes an ideal "link" between different processes, representing the starting point to address:

- as part of the RAF, the identification of the most significant types of risk on which to define appropriate "risk appetite" values, tolerance thresholds and risk limits;
- as part of ICAAP/ILAAP, the delimitation of the risks with the greatest impact on the adequacy of the Group's capital and liquidity situation, in terms of current and/or potential risks and under stress conditions;
- as part of the MRB area, the identification of the main areas of vulnerability of member banks and the possible activation of strengthening mechanisms;
- as part of the Recovery Plan, the definition of possible areas of intervention aimed at recovering from "near to default" situations and the consequent calibration of appropriate recovery actions.

The process of identifying the Group's significant risks consisted of four main phases:

- the identification of potentially significant risks, i.e. the phase during which the relevance of corporate risks that have been already assessed is checked, and the analysis, research and identification of new potentially significant risks not yet considered by the Group; To support the analyses used to define the "Long-List" of risks, the Risk Management Department has developed a special tool that maps the relevant internal and external regulations, the competitors being monitored, and the risk categories (identified by the analyses carried out on the selected sources) that together form the Long-List of potentially relevant risks;
- the definition of risk materiality criteria, applying rules to classify risks identified as "material". This phase includes a qualitative materiality self-assessment and a quantitative materiality analysis, considering the velocity and acceleration of risks for which adequate data is available. The approach introduced in the 2022 update is to use a single methodology for assessing mapped risks, without distinguishing between risks that generate capital absorption and risks that do not;
- the identification of material risks, based on the results of the qualitative and quantitative analysis which then forms the "short list" of material risks for the Group;
- the definition of the organisational structure, selecting the organisational dimensions considered relevant to risk management and monitoring and the consequent mapping of relevant risks.

The Group's "Risk Map" valid for 2022 is shown below, with reference to the first level of risk identified[15], which is adopted by all Group Companies.

Credit risk

Risk of loss deriving from the insolvency or worsening of the creditworthiness of counterparties entrusted by the Group.

Counterparty risk

Risk that the counterparty to a transaction involving certain financial instruments defaults before the settlement of the transaction. Counterparty risk arises from the following types of transactions: over-the-counter financial and credit derivatives; repurchase and reverse repurchase agreements on securities or commodities; securities or commodities lending or borrowing transactions; and margin lending (so-called Securities Financing Transactions); transactions with long-term settlement. This risk is

[15] The risk hierarchy is structured across four levels.

a particular type of credit risk, which generates a loss if transactions with a given counterparty have a positive value at the time of insolvency.

Credit valuation adjustment (CVA) risk

Risk of adjustment of the interim market valuation of the portfolio of transactions with a counterparty. This adjustment reflects the current market value of the counterparty risk vis-à-vis the institution, but does not reflect the current market value of the credit risk of the institution vis-à-vis the counterparty.

Market risk

Risk of an unfavourable change in the value of an exposure to financial instruments, included in the trading book, due to adverse trends in interest rates, exchange rates, inflation rates, volatility, share prices, credit spreads, commodity prices (generic risk) and/or the situation of the issuer (specific risk).

Operational risk

Risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events. This includes, among other things, losses resulting from fraud, human error, interruptions in operations, unavailability of systems, breach of contract, natural disasters.

Liquidity and funding risk

The risk of not being able to cope efficiently and without jeopardising normal operations and financial equilibrium, of not being able to meet its payment obligations or disburse funds due to an inability to find sources of funding or to find them at above-market costs (funding liquidity risk) or due to the presence of limits on the disposal of assets (market liquidity risk) and incurring capital losses.

Credit risk arising from a reduction in the market value of real estate collateral[16]

Risk of the reduction in the market value of real estate collateral (residential and non-residential).

Credit concentration risk

Risk arising from exposures to counterparties, including central counterparties, groups of related counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity, as well as from the application of credit risk mitigation techniques, including in particular risks deriving from indirect exposures, such as, for example, towards individual guarantee providers.

Interest rate risk of the banking book

Current and future risk of changes in the Group's banking book following adverse changes in interest rates, which affect both the economic value and the interest margin.

Excessive leverage risk

Risk that a particularly high level of indebtedness in relation to capital endowment will make the Group vulnerable, making it necessary to take corrective measures to its business plan, including the sale of assets with losses that could also lead to value adjustments on the remaining assets.

Strategic and business risk

Current or prospective risk of a decline in profits or capital resulting from changes in the operating environment or erroneous business decisions, inadequate implementation of decisions, poor responsiveness to changes in the competitive environment.

Real estate portfolio risk

Current or prospective risk deriving from changes in the value of owned properties due to changes in prices in the Italian real estate market.

Reputational risk

Current or prospective risk of a decline in profits or capital resulting from a negative perception of the Group's image by customers, counterparties, Group shareholders, investors or Supervisory Authorities.

Compliance risk

Risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations of mandatory rules

[16] This risk is considered to be a Level 2 risk within credit risk.

(laws or regulations) or self-regulation (e.g. articles of association, codes of conduct, corporate governance codes).

Risk of money laundering and terrorist financing

Risk arising from the violation of legal, regulatory and self-regulatory provisions functional to the prevention of the use of the financial system for the purposes of money laundering, terrorist financing or the financing of weapons of mass destruction development programmes as well as the risk of involvement in money laundering and terrorist financing or the financing of weapons of mass destruction development programmes.

Risk associated with the acquisition of equity investments

Risk of inadequate management of equity investments, in line with the provisions of Bank of Italy Circular no. 285/2013 and subsequent updates.

Risk of conflicts of interest with respect to associated parties

Risk of distortions in the process of resource allocation, exposure of the entity to risks that are not adequately measured or monitored, and potential harm to depositors and shareholders due to the possible lack of objectivity and impartiality of decisions regarding the granting of loans and other transactions to persons close to the decision-making centres of the institution.

Sovereign risk[17]

Risk that a deterioration in the creditworthiness of government securities could have on overall profitability.

ESG risks

Defined from a prudential perspective as the negative manifestation of ESG risk factors, this refers to the risks of any negative financial impact on the Group resulting from the current or prospective impacts of ESG risk factors on the Group's counterparties or invested assets.

Climate and environmental risks[18]

Risk deriving from losses related to extreme or chronic climate events (Physical Risk) or the transition to a low-carbon economy (Transition Risk).

Pandemic risk

Risk of losses related to the consequences on public health, the economy and trade caused by the pandemic.

Geopolitical risk

Risk deriving from geopolitical uncertainty.

Governance risk

Risk that the entity's corporate structure is not adequate and transparent, and therefore not fit for purpose, and that the governance mechanisms put in place are not adequate. In particular, this risk may arise from the absence or inadequacy of:

- a solid and transparent organisational structure with clear responsibilities, including the Corporate Bodies and the associated Committee;
- knowledge and understanding, among the Management Body, of the operating structure of the entity and the associated risks;
- policies aimed at identifying and preventing conflicts of interest;
- a transparent governance structure.

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[17] The attention of the regulator to this phenomenon has grown over time, although it has not generated an update to the regulatory framework of reference. Furthermore, given the significance of the exposure to Italian government securities, the ECB has drawn attention to the SREP process. The Group quantifies an economic capital absorption for sovereign risk for exposures held under the HTCS Business Model and Trading business model, in order to determine the possible impact this could have on the OCI reserve and comprehensive income. Moreover, in line with the "Group Regulation for the Management of Owned Portfolios", the Group quantifies the absorption of economic capital on 12.5% of the portfolio classified according to the HtC business model (which represents the maximum percentage that can be sold in the context of occasional or insignificant sales). The overall sovereign risk exposure is monitored by calculating specific indicators (Sovereign Risk/Cet1, Govt ITA HTC/Tot ptf and Govt ITA HTCS/Tot ptf) on a quarterly basis.

[18] This risk is considered to be a Level 2 risk within credit risk, market risk, operating risk, liquidity and funding and, more generally, ESG risks.

Main actions and Functions involved in mitigating and controlling the Risks to which the Group is exposed

The risks identified within the risk map can be classified into two types:

- **risks that can be measured** in terms of internal capital, in relation to which the Group uses specific metrics to measure capital absorption: credit and counterparty risk, market risk, credit valuation adjustment (CVA) risk, operational risk, interest rate risk in the banking book, credit concentration risk (divided into Geo-Sectoral and Single Name concentration risk), strategic and business risk, real estate portfolio risk, risk deriving from the reduction in the market value of real estate collateral, and sovereign risk;
- **risks that are not measurable** in terms of internal capital, for which, as robust and agreed-upon methodologies for determining the relative capital absorption have not yet been established, a capital buffer is not determined and for which, in accordance with the above-mentioned regulatory provisions, adequate control and mitigation systems are put in place: liquidity and credit risk, country risk, transfer risk, basis risk, residual risk, securitisation risk, excessive leverage risk, reputational risk, compliance risk, risk of money laundering and terrorist financing, encumbered assets risk, risk associated with the acquisition of equity investments, risk of conflicts of interest with associated parties, ESG risk, climate and environmental risk, geopolitical risk, governance risk and pandemic risk.

In general, the criteria for assigning the overall materiality of each risk are based on a joint analysis of materiality by operations and exposure.

With reference to each of the relevant risks identified, the definition adopted by the Group and the main information related to the governance of the risk, the tools and methodologies for measuring/assessing and managing the risk and the structures responsible for the management are reported below.

Credit risk

Credit risk consists of the possibility of incurring losses arising from the default or deterioration of a counterparty's creditworthiness and is mainly expressed in the risk that a counterparty will not fulfil its obligations in full, by not returning all or part of the object of the contract.

Therefore, this risk is mainly found in the traditional activity of granting secured and unsecured loans recorded and not recorded in the financial statements (for example, endorsement credits) and the potential causes of default lie largely in the lack of liquidity of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty. Activities other than traditional lending also expose the Group to credit risk.

In light of the provisions on the internal control system (Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an effective and efficient credit risk management and control process consistent with the framework addressed by the Parent Company. In addition to line controls (so-called first level controls), the outsourced functions within the Parent Company in charge of second and third level controls, with the collaboration of their respective contacts, are responsible for measuring and monitoring risk trends, as well as the correctness/adequacy of management and operational processes.

Control activity over credit risk management is carried out by the Risk Management Department, outsourced to the Parent Company, which makes operational use of its internal contacts at Affiliated Banks.

The main areas of intervention aimed at strengthening the monitoring of risk to regulatory requirements pertain to the degree of formalisation of the valuation policies of impaired loans (i.e. NPL & provisioning management), as well as the development and full effectiveness of second-level controls on the entire segment of the credit process.

By virtue of the Cohesion Contract with the Affiliated Banks, the Parent Company defines common and standardised rules and criteria for the performance of activities relating to the entire credit granting process and the management of the related risk. By virtue of the Cohesion Contract entered into with the Affiliated Banks, the Parent Company defines common and homogeneous rules and criteria for the performance of the activities relating to the entire process of granting credit and the management of the related risk. The rules and criteria defined by the Parent Company apply to risk measurement, preliminary investigation, disbursement, valuation of guarantees including real estate guarantees, performance control and monitoring of exposures, revision of the credit lines, classification of risk positions, intervention in case of anomalies, classification criteria, the policy of provisions, classification and measurement of credit exposures, and classification and management of impaired exposures.

The above rules and criteria are set out in the Group Credit Regulations, as part of which the Parent Company also defines its own decision-making autonomy for the granting of credit, the maximum exposure thresholds for each individual customer or group of connected customers for each Affiliated Bank according to the risk of the bank itself. Within these thresholds, the decision-making levels for the disbursement of credit are defined by each individual Affiliated Bank, in compliance with the limits established in the Group's risk policies.

The Parent Company defines the strategy and related management plan for impaired exposures at Group level, identifying binding short/medium/long-term targets for each Affiliated Bank. The Parent Company defines the strategy and related management plan for impaired exposures at Group level, identifying binding short/medium/long-term objectives for each Affiliated Bank. Moreover, it establishes the measurement criteria of exposures and creates a common information base that allows all Affiliated Banks to know the exposures of customers towards the Group, as well as the measurements concerning the exposures of borrowers.

In this regard, the Parent Company prepared the "Group Regulation for the Classification and Measurement of Loans", which, in addition to regulating the process of classifying credit exposures (both on and off-balance sheet), sets out rules for the measurement of real estate collaterals and other types of guarantees.

With reference to transactions with associated parties, the Group has adopted specific Regulations governing the identification, approval and execution of transactions with associated parties, as well as organisational structures and a system of internal controls to guard against the risk that the proximity of certain parties to its decision-making centres may compromise the impartiality and objectivity of the relevant decisions.

In consideration of the operating methods that characterise the Group's lending activities, the credit process was structured in the phases of planning, granting of credit, credit management, classification of positions and management of impaired items.

The Risk Management Department defines, as part of the Risk Appetite Framework process, the risk appetite that represents the maximum amount of capital that the Group is willing to put at risk in order to achieve its strategic-income objectives, based on the business model and strategic decisions adopted; in particular, as regards credit risk, the Risk Management Department, in line with the provisions of the prudential regulatory provisions, breaks down the risk objectives, identified in the RAF, into risk-limits and monitoring indicators.

Risk limits are designed to place a limit on operations through a system of thresholds and escalation procedures, and credit risk policies that set monitoring limits for these procedures are defined. Monitoring indicators are a managerial tool used to promote the adequate monitoring of the Group's exposure to credit risk, thus constituting a functional system of continuous monitoring of the economic and equity situation, and supporting the decisions taken by the corporate bodies. Therefore, they are an integral part of the RAF, making it possible to prevent the exceeding of critical thresholds that could compromise compliance with the appetite and monitoring thresholds defined in the RAS.

The Risk Management Department carries out controls aimed at monitoring, on a periodic basis, credit exposures (both on and off-balance sheet), which are substantiated in the activities of systematic verification of the performance monitoring of credit exposures (in particular impaired exposures), in assessing the consistency and accuracy of classifications, determining the adequacy of provisions and monitoring the adequacy of the recovery process for credit exposures and the relative degree of uncollectability.

These controls are carried out by means of activities that include the monitoring of phenomena and precise process investigations, the results of which may or may not lead to the determination of findings.

The Risk Management Department also provides preventive judgements on the consistency of the most significant transactions with the RAF by acquiring, based on the nature of the transaction, the judgement of the other departments involved in the risk management process. For these purposes, it identifies all the risks to which the Group may be exposed in undertaking the transaction; it quantifies and assesses, based on the data acquired by the competent company departments, the impacts of the transaction on the risk objectives, on the alert and tolerance thresholds; it evaluates, based on the aforementioned impacts, the sustainability and consistency of the transactions with the risk appetite defined by the Board of Directors; it identifies the measures to be adopted to adjust the overall risk governance and management system, including therein the need to update the risk appetite and/or the system of operating limits.

For the purposes of determining internal capital for credit risk, the Group uses the standardised method, adopted for the determination of prudential requirements for credit risk.

To apply the standardised approach, the exposures are subdivided into portfolios and each portfolio is subjected to differentiated prudential treatments, possibly also based on credit ratings (external ratings) issued by external credit rating agencies or export credit agencies recognised by the Bank of Italy (ECAI and ECA respectively).

For the purpose of measuring the capital requirement for credit risk, the type of customer to which the exposures attributable to the subject are attributed is first identified. Customer classification is carried out not only for assets that generate a capital requirement for credit risk, but also for assets that fall within the scope of counterparty risk and settlement risk on non-contextual settlement transactions. The issuers of securities received as collateral and the guarantors/counter-guarantors/vendors of credit protection relating to personal collaterals are also included.

For classification purposes, account is taken of the sector of economic activity attributed to the customer, the "status" of the exposures, the turnover determined at customer group level, and the deductibility, where applicable, from the Group's own funds. In particular, the asset classes of:

- "Central governments and central banks" include, inter alia, deferred tax assets (DTAs), other than those deducted from equity, to which different weightings are applied depending on the source;
- natural persons and small and medium enterprises are classified as "retail exposures". The term small and medium enterprises (SMEs) refers to businesses with an annual turnover no greater that EUR 50 million: this limit is calculated in reference to connected parties regardless of the existence of a customer relationship with the same. This class includes only customers or groups of customers that meet certain exposure limits, i.e. exposures to a single customer (or groups of connected customers) that meet the requirement of adequate portfolio segmentation (granularity) and cash exposures (other than those secured by residential real estate collateral) that do not exceed EUR 1 million, without taking into account the effects of the real and personal protection instruments that support those exposures;
- "defaulted exposures" include non-performing exposures, probable defaults, exposures past due by more than 90 days according to art. 178 of the CRR (new definition of default effective from 1 January 2021); impaired (forbearance) exposures also fall within the above three classes. With regard to the allocation of positions in the "defaulted exposures" portfolio and, in particular, the treatment of past-due/defaulted exposures, the Group has adopted the "counterparty approach" also for those portfolios for which the adoption of the "transaction approach" is permitted under the new regulations. Default exposures classified as high risk are not included in this portfolio;
- "Equity exposures" include, inter alia, significant investments in equities issued by financial sector entities, for the amount not deducted from the Group's own funds (as it does not exceed the thresholds), which receive a weighting of 250%.

Credit risk also applies to the own securities portfolio. In compliance with the provisions of external and internal regulations, as well as the "Group Finance Rules" and other relevant Risk Management Policies/Regulations, the "Group Owned Portfolio Management Policy" establishes precise quantitative limits for the assumption of risks related to these activities.

The Credit Department is the company body delegated with the governance of the credit process (credit granting and auditing, monitoring, management of disputes) as well as the coordination and development of credit transactions and loans. The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles within the IT system.

The Group also uses credit risk mitigation techniques (hereinafter also "CRM") to mitigate credit risk.

The Group considers as authorised CRM the forms of credit protection that comply with the general and specific requirements of Part 3, Title II, Chapter 4 of Regulation (EU) no. 575/2013.

In accordance with the relevant legislation, eligible credit risk mitigation techniques may be collateral or personal forms of credit protection, provided that the assets on which the protection is based meet the requirements of the legislation.

Taking into account its operating characteristics, the Group has decided to use the following CRM tools for prudential purposes:

- financial collateral involving cash and financial instruments, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- residential and non-residential real estate mortgages;
- other forms of real protection, such as cash deposits with third parties, financial instruments issued by supervised intermediaries which the issuer itself has undertaken to repurchase at the bearer's request, and life insurance policies (meeting the requirements of European Regulation no. 575/2013);
- personal guarantees and counter-guarantees represented by sureties and given by supervised intermediaries within the scope of eligible authorities. These also include mutual personal guarantees provided by credit guarantee consortia ("Confidi") which meet the subjective and objective criteria for admissibility.

For the purposes of the benefits provided by CRM, the following are currently taken into consideration:

- personal guarantees given by monitored intermediaries;
- personal guarantees given by territorial entities and by the SME Guarantee Fund managed by Mediocredito Centrale;
- financial collateral pursuant to the provisions of Legislative Decree no. 170 of 21 May 2004;
- financial collateral involving cash and financial instruments, and lent through repurchase agreements.

Finally, specific policies have been defined regarding the acquisition and management of the main forms of guarantee used or protection of credit exposures, in order to ensure that the legal, economic and organisational requirements for their recognition for prudential purposes are met.

In order to mitigate credit risk, the Group is continuing to reduce its NPL stock through:

- the sale of impaired loans;
- the process of recovering impaired exposures by centralising management with the Parent Company.

Counterparty risk

The counterparty risk is a particular type of credit risk and represents the risk that the counterparty to a transaction involving certain financial instruments specifically identified by the regulations will default before the transaction is settled.

The regulations specify that the transactions that can give rise to counterparty risk, which is a particular type of credit risk, are as follows:

- over-the-counter (OTC) credit and derivative financial instruments;
- repurchase and reverse repurchase agreements on securities or commodities, securities or commodities lending or borrowing transactions and margin lending (SFT – Securities Financing Transactions);
- transactions with long-term settlement (LST – Long Settlement Transactions).

Counterparty risk management and control is part of the Group's broader risk management and control system, structured and formalised in specific internal regulations.

The Group is exposed to counterparty risk in relation to OTC derivative activities and repurchase agreements (SFT). Operations pertaining to OTC derivatives are almost entirely balanced; there are therefore sporadic operations for the hedging of assets or liabilities which refer to properties while operations of speculative nature are not implemented.

The Group estimates the additional requirement for Credit Valuation Adjustment (CVA) applicable to OTC derivatives transactions, based on the standardised methodology set out in Article 384 of the CRR. The capital absorption is calculated from the estimated credit equivalent determined for counterparty risk purposes, taking into account the residual maturity of derivative contracts and the creditworthiness of the counterparty.

The Risk Management Department prepares a report on the results of the counterparty risk measurement and monitoring phase for the General Management and the Board of Directors.

Market risks

Market risks concern the risks generated by operations on the markets regarding financial instruments, currencies and commodities. They are divided into:

- **Specific position risk on debt securities in the regulatory trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with the situation of the issuers.
- **Generic position risk on debt securities in the regulatory trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with movements in market interest rates (risk factor affecting the current value of such instruments).
- **Position risk on equities in the regulatory trading book**, which comprises two components:
    - "generic risk", i.e. the risk of incurring losses caused by adverse changes in market prices of most equities;
    - "specific risk", i.e. the risk of incurring losses caused by adverse changes in the price of a given equity due to factors connected with the situation of the issuer.
- **Position risk for UCITS units in the regulatory trading book**, which represents the risk of incurring losses caused by adverse changes in market prices.
- **Exchange rate risk**, i.e. the risk of incurring losses due to adverse changes in the prices of foreign currencies on all positions held by the Group regardless of the allocation portfolio on the entire financial statements.
- **Settlement risk** is the risk of losses arising from a counterparty's failure to settle past due transactions in securities, currencies and commodities, including those represented by derivative contracts and derivative contracts without exchange of principal, in both the banking and trading books for supervisory purposes. Repo transactions and securities or commodities lending or borrowing transactions are excluded.
- **Concentration risk of the trading book**: is linked to the possibility that the insolvency of a single large borrower or of several borrowers related to each other could lead to losses that could compromise the stability of the lending bank. For this reason, the regulatory provisions in force concerning "large exposures" prescribe a mandatory quantitative limit, expressed as a percentage of eligible capital, for risk positions with individual "customers" or "groups of connected customers". Any overdrafts with respect to this limit are permitted only if they refer to a position in the trading book for supervisory purposes and provided that specific additional capital requirements are met.

It should be noted that - given its specific scope of operations - Group is not exposed to commodity position risk.

The Group uses the standardised methodology to determine capital requirements for market risks generated by its transactions in financial instruments, currencies and commodities. This methodology calculates the requirement on the basis of the so-called building-block approach, according to which the overall requirement is the sum of the capital requirements determined against individual market risks.

More specifically, with regard to determining the capital requirement for "**Position Risk on the trading book**", the Group applies the following methodologies:

- **General debt security risk:** use of the maturity-based method. This method calculates the net position for each issue and then distributes it, by currency, into residual maturity bands.
- **Specific debt security position risk:** net positions in each security in the trading book are allocated to the correct issuer category (zero-weighted issuers, qualified issuers, non-qualified issuers, high-risk issuers). The capital requirement for each category is the product of the respective weighting ratio and 8%. The capital requirement for each specific risk is applied to the total sum of the weighted net long and short positions.
- **Equity position risk:** the capital requirement is determined as the sum of the general requirement (8% of the net general position) and the specific requirement (8% of the gross general position). To calculate equity position risk, all positions in the trading book relating to equities and equity-like securities, such as equity index derivative contracts, are considered.
- **UCITS units position risk:** application of the residual method, whereby the capital requirement is determined at 32% of the current value of the units held in the trading book.

With reference to settlement risk, the exposure to the risk of past due and unsettled transactions:

- classed as "delivery versus payment" (DVP) represents the difference, if positive, between the contractual forward price to be paid/received and the fair value of the financial instruments, commodities or currencies to be received/delivered;
- classed as "non delivery versus payment (Non-DVP) represents the fee paid or the fair value of the financial instruments, commodities or currencies delivered.

For DVP transactions, the capital requirement is determined by applying an increasing weight to the risk exposure based on the number of business days following the settlement date. For non-DVP transactions:

- In the period between the "first contractual settlement date" and the fourth business day following the "second contractual settlement date", the capital requirement is determined with regard to credit risk by applying the 8% equity ratio to the credit exposure value weighted according to the relevant weight factors;
- after the second contractual settlement date, the value of the risk exposure, increased by any positive difference between the fair value of the underlying asset and the price, must be weighted at 1250% or fully deducted from the Common Equity Tier 1 capital.

With regard to exchange rate risk on the entire balance sheet, capital absorption is quantified as 8% of the "net open foreign exchange position". In compliance with the provisions of the Finance Regulation, the risk strategy document also sets quantitative limits for the Parent Company for the overall open foreign exchange position and for each individual currency.

The Group complies with the observance of prudential rules with specific procedures and control systems aimed at ensuring sound and prudent management of market risks.

The policies relating to the management of the securities portfolio defined by the Board of Directors are based on the following main elements:

- definition of risk/return objectives;
- definition of risk appetite (defined in terms of operating limits in the finance portfolios with reference to the various management, accounting and supervisory aspects). In particular, value-at-risk (VaR) limits, issuer and instrument type limits and concentration risk exposure limits are established and measured;
- restriction on tradable financial instruments in terms of the instruments admitted (or admitted in position but with specific exposure limits) and their nature;
- allocation of delegations.

In order to manage and monitor market risk exposures taken as part of the trading book, the Group has defined in its Finance Regulation and in the underlying implementing provisions: the guiding principles, roles and responsibilities of the organisational functions involved. This is in order to ensure the regular and orderly execution of financial market activities, within the scope of the risk/return profile outlined by the Board of Directors or declared by customers, and to maintain a correct mix of instruments aimed at balancing liquidity flows.

In this regard, the Finance Department has the task of assessing the opportunities offered by the market and managing the portfolio of financial instruments in line with the strategic guidelines and risk management policy defined by the Board of Directors. To this end, it identifies the instruments to be traded and carries out the purchase/sale transaction in line with the strategy it wishes to implement (investment or hedging) and in compliance with the limits and powers assigned. The Finance Department is also responsible for monitoring the price performance of financial instruments and for verifying compliance with the operating limits and/or risk/return objectives defined, adjusting, where appropriate, the structure and composition of the proprietary portfolio.

The Group has established systems and controls for portfolio management by defining a documented trading strategy by position or portfolio and appropriate policies and procedures for active position management. The system of operating limits and delegations on the trading book and on the banking book is compliant with regulatory provisions and consistent with the requirements of international accounting standards.

In order to monitor and control market risks, information flows to the corporate bodies and organisational units involved are produced on a regular basis, concerning the specific phenomena to be monitored and the aggregate values relating to the composition of the Group's trading book.

Operational risk

Operational risk is defined as the possibility of incurring losses resulting from inadequate or dysfunctional procedures, human resources and internal systems, or from exogenous events. This definition includes legal risk, but not reputational and strategic risk. This includes, inter alia, losses resulting from fraud, human error, breach of contract, natural catastrophes, business interruptions and system downtime.

Operational risks, depending on the specific aspects, also include IT risk, i.e. the risk of incurring losses in connection with the use of information and communication technology (Information and Communication Technology – ICT). This sub-category of risk considers potential damage resulting from the unavailability of information systems, degradation of service quality, violation of data confidentiality, compromise of data integrity, and loss of data quality.

Operational risk also includes the risk of outsourcing, i.e. the risk of incurring potential organisational malfunctions, critical issues and/or losses linked to the decision to outsource the performance of one or more business activities to third-party suppliers; legal and compliance risks are also included, while strategic and reputation risks are not.

With regard to legal risk, the Group includes the risk of losses deriving from contractual or non-contractual liability or from other disputes, while the risk of losses deriving from violations of laws or regulations is attributed to a specific case, defined as compliance risk.

With reference to the measurement of the prudential requirement for operational risks, the Group has approved the application of the Basic Indicator Approach (BIA). In addition, the Group, for the purpose of managing and controlling operational risk, continuously verifies exposure to certain onset profiles through the analysis and monitoring of a set of indicators, carried out by the Risk Management Department.

In addition to the corporate bodies, different organisational units are involved in the management and control of operational risks, each of which is assigned specific responsibilities consistent with the ownership of the activities of the processes in which the risk in question can occur. Among these, the Risk Management Function is responsible for analysing and assessing operational risks, ensuring an effective and timely evaluation of the related event profiles, in accordance with the operating procedures for which it is responsible.

The Internal Audit Function, in the broader context of the control activities for which it is responsible, carries out specific and targeted periodic checks on operational risks. Lastly, with regard to organisational controls, particularly important is the Compliance Function which is responsible for monitoring and controlling compliance with the rules as well as providing support in the prevention and management of the risk of incurring judicial or administrative sanctions, of incurring significant losses as a result of the violation of external (laws or regulations) or internal (articles of association, codes of conduct, corporate governance codes) rules, and, for all pertinent areas, also important is the work carried out by the Anti-Money Laundering Function.

Considering the peculiar characteristics of the risk in question and the way it manifests itself, as well as the substantial inability of the regulatory method of calculating capital absorption (BIA method) to identify the areas of operations most exposed to operational risks, the Group deemed it appropriate to develop a more in-depth management approach, aimed at acquiring a better knowledge and awareness of the actual level of exposure to risk.

With the support of a dedicated tool, a census, collection and storage of the most significant loss events found in the company's operations is carried out. To this end, a specific database has been set up in which the loss events identified are traced back to the types envisaged by the Basel Agreement (and to the related risk owners). The application adopted allows to frame the entire operational risk management process (from the recognition and registration by the organisational units where the event was found, to the "validation" of the same, up to the authorisation for the accounting of the economic impact) within a predefined workflow. The Group's objective is to identify the areas characterised by greater vulnerability, in order to prepare more effective control and mitigation systems. In this context, the application solution adopted makes it possible to manage the mitigation "tasks", i.e. the risk containment initiatives for risk owners and activated by them.

Operational risks also include IT risk, i.e. the risk of incurring losses in connection with the use of information and communication technology (Information and Communication Technology – ICT). This sub-category of risk considers therefore potential damage resulting from the unavailability of information systems, degradation of service quality, violation of data confidentiality, compromise of data integrity, and loss of data quality.

The Group defined, in close connection with project references drawn up in the competent association offices and in compliance with the principles and regulations in force, the method for analysing IT risk and the related management process (including profiles relating to the provision of IT services through the outsourcing of ICT services to external suppliers). The implementation of the afore-mentioned methodology makes it possible to integrate the management of operational risks by also considering the risks connected to IT and business continuity profiles, and to document the evaluation of IT risk based on the continuous information flows established with the Centre(s)/Service(s). The adoption of these references is also prior to the preparation of the process of verification, at least annually, of the evaluation of IT risk based on the results of the monitoring of the effectiveness of the measures to protect ICT resources.

With regard to the management of operational risks, to be noted are the controls adopted in the context of compliance with the regulations introduced by the regulatory provisions on the internal control system which have defined a comprehensive framework of principles and rules to be followed in order to outsource corporate functions and have required the activation of specific controls against the related risks, as well as the maintenance of the ability to control the work of the supplier and the skills necessary for the possible re-insourcing, if necessary, of the outsourced activities.

In order to ensure compliance with the requirements of the regulations in force, the Legal Department defines specific outsourcing agreements. In this context and with reference to the outsourcing of key operational and corporate control functions, which involves more stringent obligations in terms of contractual constraints and specific requirements by the supplier (relating, inter alia, to the definition of specific, objective and measurable service levels and related materiality thresholds), the service levels to be guaranteed in the event of emergencies and the related continuity solutions are defined; the contractual provisions also provide for, inter alia: (i) the right of the Supervisory Authority to access the premises in which the service provider operates; (ii) the presence of specific termination clauses to terminate the outsourcing agreement in the event of certain events that prevent the provider from guaranteeing the service or in the event of failure to meet the agreed service level.

The Group internally maintains the expertise required to effectively control the Important Operational Functions (IOF) and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

More generally, as part of the actions undertaken with a view to ensure compliance with the regulations introduced by the Bank of Italy through the 15th update of Circular 263/06 (and subsequently merged into Circular 285/13, Part One, Title IV, Chapter 4), initiatives related to the implementation of organisational profiles and internal provisions of regulatory references on information systems are of note.

The adoption of a Business Continuity Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks. With this in mind, the operating procedures to be activated to deal with the crisis scenarios were established, assigning to this end the roles and responsibilities of the various players involved.

Although it is not necessary, in general, to change the underlying business continuity strategy, the references adopted have been reviewed and supplemented in the light of the requirements set out in Chapter 5 of Title IV of Part One of Bank of Italy Circular 285/13, to support compliance with the reference provisions. In particular, the business continuity plan was updated with reference to the risk scenarios which, although in principle compatible with those already described previously, are now more precautionary than those envisaged in the current provisions. Incident classification and rapid escalation procedures have also been introduced along with the anticipation of the necessary links with the IT security incident management procedure soon to be implemented in accordance with the relevant regulatory provisions set forth in Chapter 4, Title IV, Part One of Circular 285/13.

Credit concentration risk

Credit concentration risk is the risk arising from exposures to counterparties, including central counterparties, groups of related counterparties (single-name concentration) and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity (geo-sectoral concentration), as well as from the application of credit risk mitigation techniques, including in particular risks deriving from indirect exposures, such as, for example, towards individual guarantee providers.

The policies on concentration risk, defined by the Board of Directors, are mainly based on the following specific elements:

- powers delegated in terms of concentration risk management;
- total amount of exposure to "large risks".

With a view to prudent management, the Parent Company defines maximum exposure thresholds at the level of each individual affiliated bank, depending on its risk class, and at Group level, in line with the regulatory provisions in force relating to Large Exposures and the provisions contained in the risk management framework. Compliance with the thresholds is ensured by the application of specific preventive controls carried out by the Credit Department of the Parent Company, in the pre-investigation and pre-trial phase, for each loan application processed within the processes of granting and managing credit by the Affiliated Banks and of the Parent Company.

Exposure to concentration risk is also measured and monitored in terms of capital absorption. To this end, the Group uses the following calculation metrics:

- with reference to the single-name definition of risk (i.e. concentration towards individual counterparties or groups of related counterparties), the regulatory algorithm of Granularity Adjustment (GA) proposed in Annex B to Title III, Chapter 1 of Part One of Circular 285/13 of the Bank of Italy. For the application of this algorithm, Circular 285/13 of the Bank of Italy refers to the concept of loan portfolio and, in particular, to exposures to companies that do not fall within the "retail" class. In this regard, reference should be made to the asset class "companies and other entities", "short-term exposures to companies", "exposures to companies in the asset classes that are past due and secured by real estate", "equity exposures" and "other exposures". The exposures also include off-balance sheet transactions, the latter to be considered for an amount equal to their credit equivalent. In the presence of credit protection instruments that meet the (objective and subjective) eligibility requirements under the current rules for credit risk mitigation techniques (CRM), exposures to companies backed by guarantees provided by eligible companies are included in the calculation and exposures to companies backed by guarantees provided by eligible entities other than companies are excluded. In application of this algorithm, the quantification of the internal capital in relation to the concentration risk requires preliminary:

i. determination of the amount of exposures for individual counterparties or groups of related counterparties;
ii. calculation of the Herfindahl index, a parameter that expresses the degree of concentration of the portfolio;
iii. calculation of the proportionality constant C which is a function of the "probability of default" (PD) associated with cash loans. The proportionality constant is determined on the basis of a specific calibration – established by the regulatory provisions in force – of the constant itself when the PD attributed to cash loans changes;

- with reference to the geo-sectoral profile of the risk, the methodology for estimating the effects on internal capital used is the method developed by the ABI "Laboratorio per il Rischio di Concentrazione" [Laboratory for Concentration Risk]. The objective of measuring the impacts of geo-sectoral concentration risk is to estimate any capital add-on with respect to the standardised credit risk model, measured by the Herfindahl indicator at industrial sector level (Hs). The capital add-on is envisaged only if the calculated mark-up coefficient is greater than one.

Liquidity and funding risk

Liquidity risk relates to the possibility of the Group not being able to fulfil its payment obligations due to an incapacity to obtain new funds (funding liquidity risk), its inability to sell its assets on the market (asset liquidity risk), or that it may be forced to liquidate its assets in unfavourable market conditions, incurring very high costs to meet these commitments (market liquidity risk).

Funding Liquidity Risk, in turn, can be distinguished between: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

Liquidity risk can be generated by various factors both internal and external to the Group. The identification of these risk factors is done through:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
    - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);
- the analysis of the level of seniority of financial instruments.

The Parent Company's Board of Directors has approved a document entitled "Group Regulation for Liquidity and Funding Risk Management" which defines the policies, responsibilities, processes, operational limits and tools for managing liquidity risk, both during normal business operations as well as during potential liquidity crises, in line with current liquidity regulations. The Regulation includes the strategies and organisational measures which serve to promptly contain liquidity risk; the ordinary and stress scenarios which the Group may encounter are defined. The sources of liquidity risk to which the Group is exposed can primarily be identified within the Finance/

Treasury, Funding and Credit processes.

The Group has adopted a liquidity risk governance and management system that, in accordance with the provisions of the Supervisory Authorities, pursues the goal of financing the development of its activities at the best market conditions in normal operating circumstances and to guarantee the ability of meeting payment commitments even if a liquidity crisis situation emerges, without interrupting operational continuity or alter the Group's financial balance.

If the Parent Company finds a deterioration of the Group's liquidity position in terms of operational and/or intraday management such as to jeopardise the settlement of payment commitments in the short term, it can use the liquid assets owned by the Affiliated Banks, which are required to comply with the Parent Company's instructions. In order to ensure the operational requirements envisaged by the Delegated Regulation no. 61/2015, the Affiliated Banks expressly agree that the securities in their own portfolios fall under the direct control of the Group Liquidity Management function as a potential source of funding in times of stress.

With the purposes of knowing future liquidity requirements with adequate advance notice, to have available fund supply sources that can be activated within the time intervals and at the costs deemed appropriate, and to carry out the activity efficiently, the management of liquidity risks requires:

a. defining the organisational structure responsible for the preparation and implementation of the "Group Regulation for Liquidity and Funding Risk Management";
b. setting up an adequate information system to:
    - know and measure, at any time, the Group's current liquidity position and its future evolution;
    - assess the impact of different scenarios, in particular of unforeseen and adverse conditions, on the future evolution of the Group's liquidity position;
    - monitor the different fund procurement channels, in the evolution of their profiles in terms of times required for activation, amounts and costs;
c. defining a Contingency Funding Plan, to be activated promptly if the Group experiences a liquidity crisis, establishing the chain of responsibility and the system of initiatives to overcome the crisis situation successfully.

The organisational structure tasked with governing and managing the liquidity risk provides for the operational management of the Group's liquidity position to be entrusted to the Treasury department, which acts on the basis of the strategic guidelines defined by the Board of Directors, as well as the indications given by the Finance Committee. Control activities are carried out by the Risk Management Department in coordination with the Treasury Department. The results of the control activities are passed on to the Board of Directors.

The principles for liquidity risk management are defined in the "Regulation for Liquidity and Funding Risk Management". This document is divided into four processes:

- Operating Liquidity, whose objective is to assure the ability to meet expected and unexpected payment commitments by maintaining a sustainable ratio between incoming and outgoing cash flows. The management of operational liquidity is entrusted to the Parent Company's Treasury Department and to the Finance Department of the Affiliated Banks on the basis of indications received and in compliance with the guidelines established by the Parent Company's Board of Directors. The main risk objective envisaged by the Group RAF to measure and govern the operational liquidity risk profile is the Liquidity Coverage Ratio (LCR), which aims to strengthen the short-term resilience of the liquidity risk profile by ensuring that sufficient high-quality liquid assets are held. On a weekly basis, a consolidated report is produced and sent to the Supervisory Authority, which monitors the short-term trend of the Group's liquidity position. Within the analysis of operational liquidity, the Parent Company monitors intra-day liquidity by using the two indicators derived from the 'Annual report on financial stability' of the Bank of Italy of November 2011 (LCNO – Largest cumulative net out flow and LIIP – Liquidity and intraday payment commitments);
- Structural Liquidity, whose objective is to maintain an adequate ratio between medium/long term assets and total liabilities, in order

to avoid pressures on current and prospective short-term sources; structural liquidity is managed by the Treasury Department and the Finance Department of the Affiliated Banks, which operate in accordance with the strategic guidelines laid down by the Board of Directors, and it is directed at assuring the financial balance of the structure by maturity over a time horizon exceeding one year. Through the analysis of the Group's structural liquidity position, the ability to finance assets and to meet payment commitments through an adequate balance of the maturity of asset and liability items is assessed. Hence, the main objective is to manage funding through strategic decisions pertaining to funding sources and to the loans to be made in such a way as to prevent the emergence of excessive imbalances deriving from short-term financing of medium-long term operations. To measure and control structural liquidity risk, the Group uses as a reference the Net Stable Funding Ratio (NSFR).

- Stress test and scenario analysis, a process during which the financial balance is assessed in plausible, albeit improbable, extreme conditions. The data collected through reports during the year, along with the historic records of the same types of data, provide support in the execution of stress tests and scenario analyses, carried out with the goal of verifying the Group's ability to address alert and crisis conditions outside normal operations. The procedure for carrying out operational liquidity stress tests entails modifying the profile of incoming and outgoing cash flows on the basis of the effects deriving from the occurrence of stress cases. These cases, tied to factors inside and outside the Group, are selected taking into consideration scenarios built ad hoc, which can prove to be sufficiently severe, and contemplating even low-probability events. The Risk Management Department, with the support of the Finance Department, periodically estimates the maximum amount of liquidity that can be obtained at the Parent Company level (back-up liquidity estimates). Moreover, the amount of available margin of high-quality liquid assets at Affiliated Banks is also shown. This type of analysis is carried out with respect to the time horizon of 30 calendar days following the valuation date.
- Contingency Funding Plan, or emergency Plan, a process directed at managing the emergence of a severe liquidity crisis of the Group. This document governs the tools for monitoring the onset of a crisis, the internal escalation processes for managing it and the actions that can be put in place to restore a situation of equilibrium.

The liquidity risk tolerance thresholds are set by the Board of Directors on the basis of the following limits:

- for Operational Liquidity, the limit is set to the value assumed by the Liquidity Coverage Ratio (LCR) indicator, i.e. the ratio between basic and supplementary liquid assets and total net cash outflows in the 30 subsequent calendar days in a stress scenario. The structure of the indicator is based on Commission Delegated Regulation (EU) no. 2015/61, supplementing Regulation (EU) no. 575/2013 (CRR) and hence transposes into Italian law the provisions of the Basel Committee in the document "Basel 3 - The Liquidity Coverage Ratio and liquidity risk monitoring tools". With reference to the monitoring of operational liquidity, a series of additional indicators were identified;
- for Structural Liquidity, the limit is set at the value assumed by the Net Stable Funding Ratio (NSFR) indicator, i.e. by the ratio between the elements that provide stable financing and the elements that require stable financing. The structure of the indicated is based on Regulation (EU) no. 2019/876, which recognised the guidelines of Basel Committee "Basel III: the Net Stable Funding Ratio", of October 2014. With reference to the monitoring of structural liquidity, a series of additional indicators were identified.

If the Risk Limits are exceeded, actions and measures are envisaged with the aim of reducing the level of risk to within the pre-established limits identified in the Group Regulation for the Management of Liquidity and Funding Risk, identifying actions to be taken when the first critical situations occur. Therefore, escalation processes were envisaged: they will be activated if the Risk Management Department, through its periodic monitoring activities, finds changes in the thresholds envisaged in the Regulation. Moreover, the Risk Management Department, as part of its ordinary monitoring reporting, informs the corporate bodies of the individual Affiliated Banks concerned and the corporate bodies of the Parent Company about the overrunning of the thresholds and about the remediation actions taken to restore the liquidity position.

Regulation (EU) no. 575/2013 (CRR) prescribes that financial intermediaries shall use additional liquidity monitoring metrics (ALMM) to obtain a full picture of the liquidity risk profile. Specifically, the Implementing Regulation (EU) no. 2016/313 prescribes that the following 6 models must be set up as control information instruments:

- **Funding concentration by counterparty:** its purpose is to collect information about funding concentration by counterparty of the reporting entities, highlighting the first ten funding contributors.
- **Funding concentration by type of product:** its purpose is to collect information about funding concentration by type of product of the reporting entities, broken down by the following types of funding: retail funding and wholesale funding.
- **Prices for funding of various durations:** its purpose is to collect information about the average value of the transactions and the average prices paid by the entities for funding with duration ranging from overnight to 10 years.
- **Renewal of the funding:** its purpose is to collect information about the volume of funds due and on the new funding obtained, i.e. on the renewal of funding at the daily level over a one-month time horizon.
- **Concentration of the offsetting capacity by issuer/counterparty:** its purpose is to collect information about the concentration of the offsetting capacity of the reporting entities with reference to the ten main assets held or liquidity lines granted to the entity for that purpose.
- **Maturity Ladder:** used to represent assets and liabilities falling due, divided into a number of time brackets; it is possible to determine any gaps for each time bracket and compare them with the Group's compensation capacity.

These information models are drawn up monthly and the Group, in the face of possible critical situations, assesses whether to activate appropriate governance strategies to avoid the emergence of stress situations.

The monitoring of the Group's liquidity situation, based on the reports, on the scenario analyses and on the signals provided by the risk indicators, is carried out, according to their related competences and functions, by the Treasury Department, by the Finance Committee and by the Risk Management Department.

The positioning of the Group with regard to operational and structural liquidity is also reported to the Board of Directors on a quarterly basis.

The requirements of the Cassa Centrale Group are largely ascribable to decreases in liquidity available to shareholder banks or clients; the Group's ability to respond to its own needs is constantly assessed, taking into account in particular the following:

- availability and price of securities that can be easily liquidated;
- availability of credit within the interbank system;
- potential of institutional bond funding;
- use of other funding tools.

With regard to attainable credit and the potential for bond funding, the Group adopts the best practices in order to safeguard or improve the ratings attained thus far. The internal regulation of liquidity risk management meets the requirements set out in the regulatory provisions and guarantees consistency between the management measurements and the regulatory ones.

With regard to monthly monitoring, the Group measures and monitors its exposure to operating liquidity risk at 30 days through the regulatory indicator called Liquidity Coverage Ratio (LCR). It is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario.

The indicator in question is determined monthly through the specific Supervisory Reports that the Group is required to send to the Supervisory Body.

Interest rate risk of the banking book

The interest rate risk on the banking book consists of the possibility that a change in market interest rates has a negative impact on the financial situation of the Group, determining both a change in the economic value and in the expected interest margin.

More specifically, exposure to interest rate risk can be divided into two areas:

- equity risk, i.e. the possibility of negative changes in the value of assets, liabilities or off-balance sheet instruments due to changes in the interest rate structure, with a consequent negative impact on the value of equity;
- income risk, which arises from the possibility that an unexpected change in the structure of interest rates will lead to a reduction in interest margin; it can depend on the mismatch in the maturity structure and the periods of redefinition of interest rate conditions for loans and funding.

Exposure to interest rate risk is measured in terms of changes in the economic value of assets and liabilities in the banking book; therefore, positions in the trading book for supervisory purposes for which reference is made to market risk are not taken into account in this context.

In order to measure the exposure to interest rate risk in terms of capital absorption from an economic value perspective, the Group has decided to use an estimation approach that follows the method prescribed in the EBA 2018/02 guidelines. The calculation of the change in economic value (delta EVE) carried out by the Group is summarised below:

- the present value of all asset and liability positions sensitive to interest rate risk is determined on the basis of the expected interest rate scenario in the banking book;
- appropriate upward and downward shocks to the curve, both parallel and non-parallel. The measurement of sensitivity on the economic value and that calculated on the interest margin uses the 6 shock scenarios envisaged by the Basel Committee, then borrowed from the EBA guidelines (EBA/GL/2018/02), in addition to the parallel shock scenarios, assuming rising and falling rates (Parallel +200bp; Parallel -200bp; Steepener; Flattener; Parallel Down; Parallel Up; Short Up; Short Down);
- for scenarios involving a decline in rates, a decreasing floor is taken into account, starting at -100 basis points and zeroing out linearly up to the 20-year maturity in increments of 5 basis points for each year;
- the performance over time of non-indexed demand liability items uses an internally developed behavioural benchmark model;
- the new present value is redetermined for each shock scenario;
- capital absorption is determined by the difference of the two present values, pre- and post-shock.

The Group assesses exposure to interest rate risk not only in terms of economic value, but also in terms of changes in interest margin. This assessment, considering a hypothetical change in the interest rate curve, is carried out over a period of 12 months following the reference date, under the assumption of "constant financial statements", i.e. assuming that the volume and composition of assets and liabilities remain constant, thus providing for their replacement in equal measure as they are settled.

Supervisory review and evaluation process and MREL requirement

With reference to the outcome of the SREP - Supervisory Review and Evaluation Process communicated by the Supervisory Authority by the Parent Company with the letter dated 2 February 2022, and effective from 1 March 2022, the Group is required to meet, on a consolidated basis, a total SREP capital requirement (TSCR) of 10.50%, including an additional requirement with regard to Pillar 2 (P2R) own funds of 2.50%, to be held as a minimum for 56.25% in the form of Common Equity Tier 1 (CET1) capital and for 75% in the form of Tier 1 capital.

The Supervisory Authority also expects the Group to meet the Pillar 2 (P2G) approach of 1.75% on a consolidated basis, which should consist entirely of Common Equity Tier 1 capital and held in addition to the total capital requirement.

Finally, with reference to the Resolution regulatory framework, in application of the European Directive establishing a framework for the reorganisation and resolution of credit institutions and investment firms (so-called Bank Recovery and Resolution Directive - BRRD), during the 2021 Resolution Cycle, discussions continued with the SRB (Single Resolution Board), in order to define the MREL (Minimum Requirement of Eligible Liabilities) target to be assigned to the Group. These targets are defined in compliance with the regulatory changes introduced by the so-called Banking packages, and therefore replace the previous decisions adopted by the SRB on the matter.

The determination of the MREL requirement was communicated to the Parent Company in April 2022. For details, please refer to the section "Significant events in the year" of this Report.

ICAAP and ILAAP

The corporate self-assessment processes of capital adequacy (known as ICAAP) and liquidity risk management and governance system (known as ILAAP) of the Group and their structure are based on a management model consistent with the operations and complexity of the Group, according to the principle of proportionality.

The Parent Company, in the exercise of guidance, coordination and control over the Affiliated Banks and Group Companies, defines in detail the roles and responsibilities of the corporate bodies and structures involved in the management of the ICAAP/ILAAP process. In particular, in order to achieve an effective and efficient management and control system, the bodies define the strategic guidelines and governance policies of the ICAAP/ILAAP process and adopt an effective management process; they are also responsible for its implementation, supervise its actual functioning and verify its overall functionality and compliance with the requirements of the regulations.

Procedures have been defined in the ICAAP/ILAAP process for:

- the identification of all risks to which the Group is or could be exposed, in consideration of its specific operating conditions. This risk mapping process, defined by a specific policy, represents the starting point of all strategic processes of the Group and is strongly integrated with the Risk Appetite Framework, as well as with the overall business risk management and control system. It is coordinated, at a centralised level, by the Risk Management Department of the Parent Company, with the involvement of the corporate bodies and other departments as far as their competence is concerned (in order to ensure alignment with the evolution and/or changes of the business model). The involvement of other Group companies is also envisaged, where deemed necessary, in order to enhance their role in relation to individual operational specificities. The analysis is carried out by evaluating the Group's current and potential operating conditions, in order to identify the risk profiles already present in the current context or not adequately captured by the pre-existing mapped categories, or to anticipate types of risk historically not relevant for the Group, but likely to become such in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in the company's operations. This analysis also takes into account the principle of proportionality and is carried out at least once a year;
- the measurement/assessment of risks from a current, future and stress situation perspective. In this context, the methods for measuring risks with quantification of capital absorption are consistent with the indi-

cations provided by the reference regulations and with the size and operational specificity of the Group, while for non-quantifiable risks, suitable measurement, control and mitigation systems have been defined. In particular, in conducting the stress tests, particular attention was paid to the weaknesses of the Group in order to quantify, on internal and regulatory capital, the most significant impacts and continuously monitoring and identifying the possible emergence of new threats, vulnerabilities and changes in the context in which the Group operates;

- the definition of the minimum requirement for own funds and eligible liabilities (known as MREL) on the basis of what was communicated to Cassa Centrale Banca by the Single Resolution Committee with Decision SSB/EES/2021/20 of 29 March 2021 which, although still not binding, the Group monitors;
- the quantification of internal capital, in all the scenarios considered in the ICAAP/ILAAP process, against first and second pillar risks and the overall risk, both from a current and forward-looking perspective over the medium term, integrating the shorter perspective with the medium term;
- the self-assessment of capital adequacy, taking into account the results separately obtained with reference to the measurement of risks and capital from current, prospective and stress situation viewpoints, identifying the areas of the process where improvements can be made and planning any actions required in terms of assets and organisation;
- the self-assessment of the adequacy of the liquidity and funding risk management process, taking into account the results obtained with reference to the measurement of liquidity risk from a current, prospective and stressed perspective, identifying the areas of the process that are susceptible to improvement and planning any interventions envisaged in the governance and management of liquidity and organisational risk.

Climate and Environmental Risks

For the financial sector, the issue of ESG risks and, specifically, of climate and environmental risks, is not only an ethical/reputational and sustainability issue, but above all a strategic driver that will guide the choices of individual players in the coming years in terms of competitive positioning and the search for a risk/return balance.

This acceleration was mainly driven by a political will that - within the European Union, in particular - led to the financial sector playing a role in transmitting “ESG sensitivity” to the productive sectors, encouraging the redirection of financial flows (in the form of credits and investments granted by banks) towards “sustainable” counterparties/transactions, promoting their transparency, in order to achieve balanced and inclusive growth (known as “Sustainable Finance”).

In recent years, the central banking community has therefore intensified its commitment to environmental sustainability and combating climate change by taking action in several areas, such as, for example, the establishment in 2017 of the Network for Greening the Financial System (NGFS), an international body with the task of sharing best practices and contributing to the development of climate and environmental risk management in the financial system, as well as promoting initiatives to foster the financial sector’s commitment to the transition to a sustainable economy.

In order to address this objective, the European Commission published in March 2018 the “Action Plan for Financing Sustainable Growth” aimed at strengthening the contribution of the financial sector towards the EU agenda and, at the same time, defining a uniform EU-wide taxonomy of sustainable activities.

In this context, banks began to integrate ESG factors into their strategic objectives and business plans, both to provide a concrete response to their stakeholders (investors, rating agencies, shareholders and the financial community as a whole) and to meet the demands of their customers, who are increasingly sensitive to the positioning of financial operators with regard to the offer of ESG products (“Green” products, in particular).

The European Central Bank (ECB) considers climate and environmental risks as major risk factors for the eurozone banking system. As credit, market and operational risk factors, among others, climate and environmental risks will have a widespread impact across sectors and geographic areas. The ECB deems it necessary for all institutions to take timely and decisive action to ensure sound, effective and comprehensive management and reporting about these risks.

During 2020, the ECB outlined a programme aimed at introducing management and monitoring of climate risks in the banks under its direct supervision. After having been asked to conduct, in February 2021, a self-assessment with respect to the practices adopted by the Group with respect to the thirteen expectations defined in the "Guide on Climate and Environmental Risks" ("Questionnaire A"), the Group was asked to draw up an action plan to ensure - on the basis of this self-assessment - the implementation of these thirteen expectations ("Questionnaire B").

Having completed the comprehensive review of the self-assessments, in the first half of 2022 a discussion of these self-assessments took place as part of the dialogue with the relevant national Supervisory Suthorities and the 2022 SSM climate risk stress test was carried out. For more details, please refer to the section "Significant events in the first six months of the year" of this Report.

As a result of the evolution in internal ESG governance (such as the recent establishment of the Sustainability and Identity Committee and the formation of an ESG Steering Committee), the Group will continue to develop and implement the plan to adapt to ECB expectations on climate and environmental risks (referred to in the document "ECB Guide on Climate-related and Environmental Risks").

Analyses will be continued to assess the impact of ESG risk factors on existing risk categories in order to assess how these factors can be integrated into the monitoring and reporting of the Group's overall risk profile, also with a view to contributing in a more pragmatic manner to the decision-making process on ESG-related topics.

Internal control system

The Cassa Centrale Group has created a structured system of internal controls which, on a daily basis and proportionally to the complexity of the activities carried out, involves the entire organisational structure and conforms to the legislation governing the "Internal Control System', reported in Part One, Title IV, Chapter 3 of Bank of Italy Circular 285/2013 and subsequent updates.

The Cassa Centrale Group attributes strategic importance to the integrated management of controls and related risks as they constitute, among other things:

- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the corporate bodies of the internal control system to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

The Parent Company has adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance, organisation, technical situation and financial position of the individual Group Companies. This system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of risks within the limits indicated in the Group's Risk Appetite Framework (RAF);
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involun-

tarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);

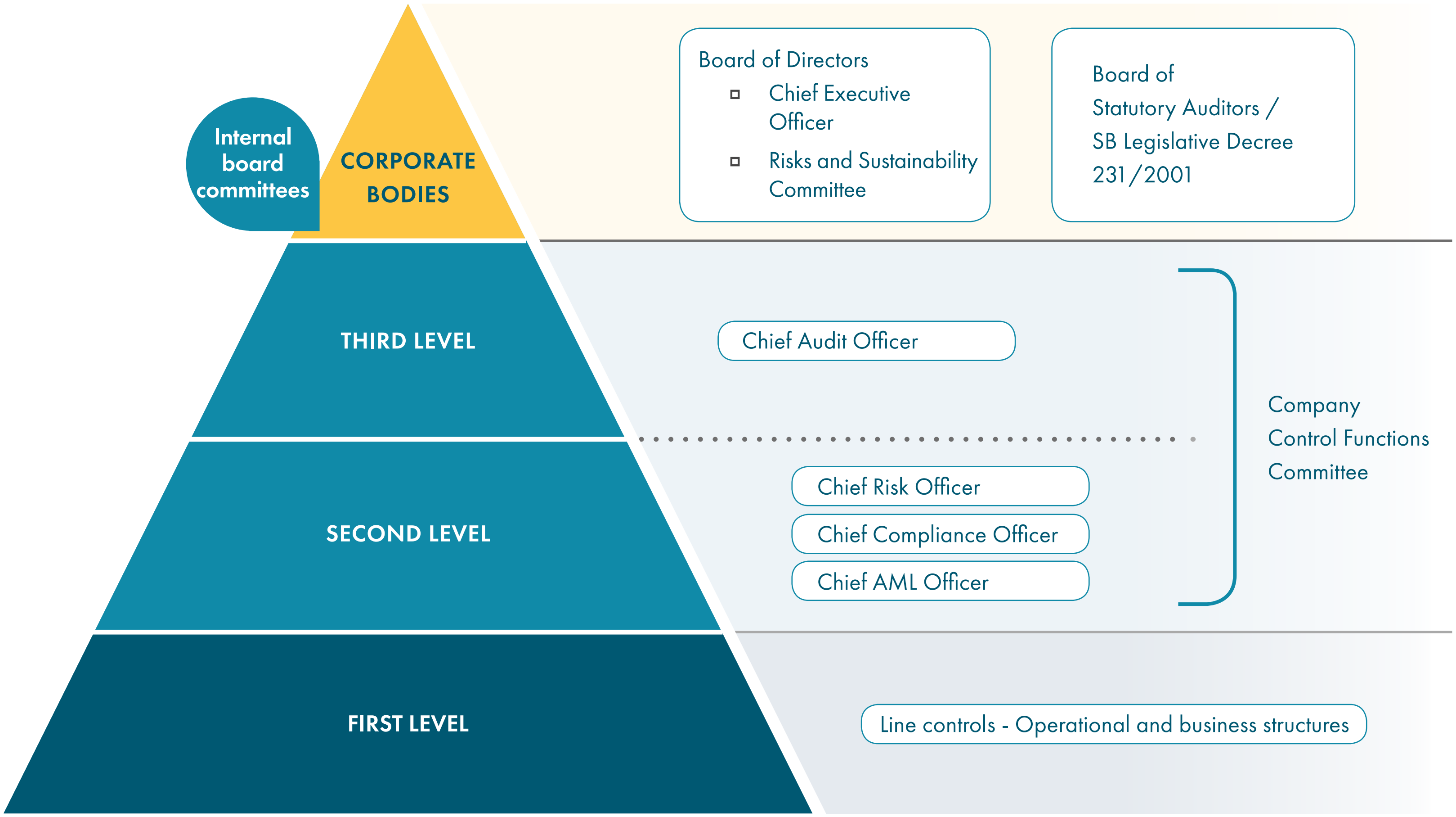
- compliance of the company's operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The central role of the internal control system within the Group's corporate organisation means that:

- it takes on strategic importance. In this regard, the "control culture" holds a prominent position on the scale of the Group's values, affecting not only the Corporate Control Functions, but the entire corporate organisation of the Parent Company and all Group Companies (e.g. corporate bodies, structures, hierarchical levels, personnel);
- it represents a primary element of the corporate governance system of the Parent Company and Group Companies and plays a decisive role in identifying, measuring, assessing and mitigating the Group's significant risks, ensuring the Group's sound and prudent management and financial stability.

The Group's internal control system includes, in keeping with regulatory and legislative provisions in force, the following types of controls:

- **line controls** (so-called "first-level controls"): controls which are designed to ensure the proper conduct of operations (e.g. hierarchical, systematic and spot checks) and which, as far as possible, are incorporated into computerised procedures. These are carried out by the same operational and business structures (so-called "Level I functions"), including through units dedicated exclusively to control tasks that report back to the managers of the structures themselves, i.e. performed within the back office.
- **controls on risks and compliance** (so-called "second-level controls"): controls designed to ensure, inter alia:
  - the proper implementation of the risk management process;
  - compliance with the operational limits assigned to the various Functions;
  - compliance of the company operations with regulations, including self-regulations. The Functions responsible for these controls are separate from the operational functions and contribute to the definition of risk management policies and the risk management process;
- **internal audit** (so-called "third level controls"): internal audit controls aimed at identifying breaches of procedures and regulations and periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure and of the other components of the internal control system and information system (ICT audit) at Group level, at predetermined intervals in relation to the nature and intensity of the risks.



The Parent Company's corporate bodies, the Parent Company's Risks and Sustainability Committee, the Committee of Corporate Control Functions, as well as the Corporate Control Functions themselves represent the main players in the internal control system.

Specifically:

- the **Board of Directors** is responsible for strategic planning, organisational guidance, evaluation and monitoring functions. In particular, as a body with strategic supervision functions, it defines and approves the business model, strategic guidelines, risk appetite, tolerance threshold (where identified) and risk management policies at Group level, the guidelines of the internal control system, the criteria for identifying the most significant transactions to be submitted to the prior scrutiny of the Risk Management Department and the general terms of the ICAAP process in order to ensure overall consistency with the RAF and the strategic guidelines;
- the **Risks and Sustainability Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's corporate bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;

- the **Board of Statutory Auditors**, as the body with control functions, is responsible for overseeing the completeness, adequacy, functionality and reliability of the internal control system and the RAF at Group level, in accordance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. The Board of Statutory Auditors performs the functions of the supervisory body, established pursuant to Legislative Decree no. 231/2001 on the administrative liability of entities, which supervises the functioning and observance of the organisational and management model adopted by the Parent Company for the purposes of the same Legislative Decree;
- the **Chief Executive Officer**, as a body with management functions, has an understanding of all business risks, including the possible risks of malfunctioning of internal measurement systems (the so-called "model risk"), where present, and, within the scope of integrated management, of their interrelationships with each other and with the evolution of the external environment. In this context, they are able to identify and assess the factors, including the complexity of the organisational structure, from which risks may arise for the Group;
- the **Committee of Corporate Control Functions**, consisting of the managers of the corporate control Functions, carries out the coordination and integration activities of the Functions overseeing the internal control system.

The Group's corporate control Functions are represented by the following structures:

- Internal audit function (**Internal Audit Department**);
- Risk control function (**Risk Management Department**);
- Compliance function (**Compliance Department**);
- Anti-money laundering function (**Anti-Money Laundering Department**).

The model adopted for the Group

The regulatory provisions for Banks in relation to the Cooperative Banking Group issued by the Bank of Italy establish that the corporate control Functions for affiliated Cooperative Credit Banks are carried out under an outsourcing regime by the Parent Company or other companies of the Group.

The Parent Company carries out its tasks in compliance with the following criteria:

- the corporate bodies of the members of the Group are aware of the choices made by the Parent Company and are responsible, each according to their own competencies, for the implementation, within their respective business realities, of the strategies and policies pursued in the field of controls, favouring their integration within the scope of Group controls;
- special internal representatives are appointed within the Companies that have outsourced the Function who: i) perform support tasks for the outsourced control Function and hierarchically to the Bank's Board of Directors; ii) report functionally to the outsourced control Function; iii) promptly report particular events or situations, which may change the risks generated by the subsidiary.

Each individual Group Company must have an effective system of information exchange that guarantees, on an ongoing basis:

- that the corporate bodies and related committees will be able to fulfil their roles and responsibilities within the internal control system;
- that the corporate control Functions pursue, in compliance with their respective competences, principles of collaboration and integration of controls, including:
  - mutual alignment on the basis of annual activity plans/ programmes;
  - sharing of any critical elements highlighted;
  - constant updating of the committees in support of the main corporate functions established within the Group (and the participation of the relevant Managers of the aforesaid corporate control functions) on matters relating to the integrated internal control system;
- exchange of information preparatory to the implementation of specific moments of coordination between the managers of the corpo-

rate control Functions in order to ensure a productive collaboration and coordination of the major initiatives at Group level related to the internal control system.

In order to ensure guidance and coordination, the Parent Company oversees Group Companies through the continuous exchange of flows, information and data in order to carry out management control that is useful for ensuring the balanced maintenance of economic, financial and equity conditions, the level of risk and, more generally, the integrated internal control system at Group level as a whole.

The Board of Directors of the Companies that have outsourced the Function carries out its duties with precise reference to that defined by the Parent Company and in particular:

- appoints the internal representative who carries out support tasks for the outsourced control functions;
- approves the Audit Plan and Activity Programmes for the Compliance, AML and Risk Management Departments;
- takes action to eliminate the deficiencies found during the verification activities.

The Board of Statutory Auditors of the individual Companies that have outsourced the Function carries out the activities required by current legislation with a view to monitoring the completeness, adequacy, functionality and reliability of the integrated internal control system, collaborating with the respective Parent Company Body.

The Supervisory Body, set up pursuant to Legislative Decree no. 231/2001, oversees the functioning and observance of the organisational and management model adopted by the company itself to prevent the offences relevant to the purposes of the same Legislative Decree.

The General Manager of the Companies that have outsourced the Function supports the Board of Directors in the management function. As part of the internal control system, they support the Company in the initiatives and corrective actions highlighted by the Corporate Control Functions and brought to the attention of the corporate bodies.

The internal representatives of the individual Companies that have outsourced the Function support the outsourced corporate control Function, report functionally to the same and promptly report particular events or situations, which are likely to modify the risks generated by the subsidiary.

The bodies of the Group companies other than the Companies that have outsourced the Function are assigned the same responsibilities as those of the bodies of said Companies, insofar as they are compatible. These bodies are also the assignees of all the powers attributed to them by the regulations and regulatory provisions applicable to the company to which they belong. The internal corporate control Functions, where present, in compliance with the rules applicable to them, carry out their activities in line with the principles established by the Parent Company.

Internal audit function

The Internal Audit Department oversees, according to a risk-based approach, on the one hand, the control of the regular performance of operations and development of risks and, on the other hand, the evaluation of the completeness, adequacy, functionality and reliability of the organisational structure and other components of the internal control system, bringing possible improvements to the attention of corporate bodies, with particular reference to the Risk Appetite Framework (RAF), the risk management process and the instruments for measuring and controlling risks and making recommendations to corporate bodies.

This Function – which is separate from the other corporate control Functions from an organisational point of view – reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties. It operates according to principles based on the diligence and professionalism of its employees, in light of the awareness that an effective preventive activity can only be effectively implemented if all staff are duly made aware of their responsibilities and if a culture based on the value of integrity (honesty, fairness, responsibility) and on a set of values to be recognised and shared at all organisational levels is promoted.

The Internal Audit Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Function and avails itself of the collaboration and support of the internal representatives of the same, who report functionally to the Manager of the Internal Audit Department of the Parent Company and hierarchically to the Bank's Board of Directors. With similar operating procedures, the Internal Audit Department also operates for Group Companies that sign an agreement to outsource the Function.

The main activities of the Internal Audit Department are the following:

- assessing the completeness, adequacy, functionality, reliability of the other components of the ICS, the risk management process and other business processes, also taking into account the ability to identify errors and irregularities. In this context, it reviews, among other things, the second level corporate control Functions (Risk Management, Compliance, Anti-Money Laundering);
- annually submitting a risk-based Audit Plan to the corporate bodies for approval, which reports the planned audit activities, taking into account the risks of the various corporate activities and structures; the Plan contains a specific section relating to the audit activity of the information system (the so-called ICT Audit);
- assessing the effectiveness of the RAF definition process, the internal consistency of the overall scheme and the compliance of the company's operations with it and, in the case of particularly complex financial structures, their compliance with the strategies approved by the corporate bodies;
- assessing the consistency, adequacy and effectiveness with respect to the governance mechanisms described in the business model and carrying out periodic tests on the functioning of operational and internal control procedures;
- regularly checking the business continuity plan;
- carrying out detection tasks regarding specific irregularities as well;
- carrying out, on request, verifications in particular cases (so-called Special Investigation) for the reconstruction of facts or events considered to be of particular importance;
- coordinates with the other corporate control Functions in order to adopt consistent and integrated risk measurement and assessment methodologies, in order to share priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- if, as part of the collaboration and exchange of information with the manager of the statutory audit, it becomes aware of critical issues that have emerged during the statutory audit activity, it shall take steps to ensure that the competent corporate Functions adopt the necessary measures to overcome such critical issues.

In order to fulfil the responsibilities assigned to it, the Internal Audit Department has access to all the central and peripheral activities of Cassa Centrale Banca and the Group Companies and to any information relevant for this purpose, including through direct contact with staff.

Risk control function

The Risk Management Department, as part of the Group's internal control system, fulfils the responsibilities and tasks envisaged by the Bank of Italy Circular 285/2013 for the risk management Function. It provides useful elements to Corporate bodies in the definition of guidelines and policies on risk management and ensures the measurement and control of the Group's exposure to different types of risk.

The Risk Management Department is also responsible for identifying, measuring and monitoring the risks assumed or assumable, establishing the control activities and ensuring that the anomalies found are brought to the attention of the corporate bodies so that they can be appropriately managed.

It operates for the Affiliated Banks and the user companies, under an outsourcing regime, in compliance with the service levels established and formalised in the agreement for outsourcing the Risk Management Function, and avails itself of the cooperation and support of their internal contacts, who report functionally to the Manager of the Risk Management Department of the Parent Company.

Within this scope, the Risk Management Department:

- guarantees the effective and proper implementation of the process of identifying, evaluating, managing and monitoring the risks undertaken, both current and forecast;
- coordinates the process of defining, updating and managing the Risk Appetite Framework (hereinafter "RAF"), within which it has the

task of proposing the qualitative and quantitative parameters necessary for the definition of the RAF;

- checks the adequacy of the RAF;
- is responsible for defining the operational limits to the assumption of the various types of risk, as well as for verifying their adequacy on a continuous basis;
- assesses, at least annually, the robustness and effectiveness of the stress tests and the need to update them;
- defines common metrics for assessing operational risks in line with the RAF and methods for assessing and controlling reputational risks in coordination with the Compliance Department and the relevant structures;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- ensures the consistency of the risk measurement and control systems with the processes and methodologies for assessing company activities, coordinating with the appropriate company structures;
- in case of violation of the RAF, including the operational limits, it assesses the causes and the effects on the business situation, also in terms of costs, it informs the business units concerned and the corporate bodies, and proposes corrective measures. It ensures that the body with strategic supervisory function is informed in case of serious violations; the risk control function has an active role in ensuring that the recommended measures are taken by the Functions concerned and brought to the attention of the corporate bodies;
- contributes to ensuring the consistency of the remuneration and incentive system with the reference framework for determining the Bank's risk appetite (RAF);
- is responsible for assessing the adequacy of internal capital (ICAAP) and liquidity reserves (ILAAP);
- is responsible for preparing the public disclosure (Pillar III);
- is involved in defining the risk governance policies and the phases of the risk management process through the establishment of a system of policies, regulations and documents for the implementation of the risk limits for the Group;
- defines the metrics and methodologies for measuring and monitoring risks and the related guidelines to be adopted at the Group level;
- verifies, on an ongoing basis, the presence of adequate risk management processes;
- is responsible for the development, validation, maintenance and updating of risk measurement and control systems, ensuring that they are subject to periodic backtesting, that an appropriate number of scenarios are analysed and that conservative assumptions are used on dependencies and correlations;
- develops and applies indicators capable of highlighting anomalous and inefficient situations in risk measurement and control systems;
- analyses and assesses risks deriving from new products and services and from entry into new operating and market segments, including by assuming different risk scenarios and evaluating the bank's ability to ensure effective risk management;
- measures and monitors the current and prospective exposure to risks, also at Group level, and its consistency with the risk objectives, as well as the compliance with the operational limits, making sure that the decisions on risk taking by the different corporate levels are consistent with the advice provided;
- ensures, through reporting activities, a constant and continuous flow of information to the corporate bodies and other corporate control functions on the exposure to risks and the results of the activities carried out;
- provides preventive opinions on the consistency of the most significant transactions with the RAF, including those originated by user companies while also contributing to defining the parameters for their identification, where appropriate, obtaining the advice of other Functions involved in the risk management process;
- carries out second-level checks on credit exposures;
- verifies the adequacy and effectiveness of the measures adopted to remedy the shortcomings identified in the risk management process;
- verifies the proper monitoring of the performance of individual credit exposures;
- oversees the process of assigning and updating the ratings used to assess the creditworthiness of the counterparties;
- oversees the processing of the classification of the risk-based mod-

el and, in agreement with the Planning Department, the activation of the appropriate corrective actions (i.e., Relaunch Plan, Recovery Plan, Combination Plan);

- informs the Chief Executive Officer/General Manager of any exceeding of targets/thresholds/limits relating to the assumption of risks;
- is responsible for activating monitoring activities on the actions put in place if targets/thresholds/limits are exceeded and for communicating any critical issues until the thresholds/limits return within the established levels;
- prepares and submits to the corporate bodies the report on the activities carried out by Management, in accordance with the provisions of the reference regulations;
- contributes to the dissemination of a control culture within the Group.

As part of the Integrated Internal Control System, the Risk Management Department coordinates with the other corporate control functions in order to:

- adopt consistent and integrated risk measurement and assessment methods, providing a common and integrated representation of the areas of greatest risk;
- define risk-based intervention priorities;
- develop the sharing of operational and methodological aspects and the actions to be taken in case of significant and/or critical events in order to identify possible synergies and avoid potential overlapping and duplication of activities.

As part of the activities listed above, the Risk Management Department prepares annually a risk-based approach and submits an activity plan to the corporate bodies based on:

- the main risks to which the Group is exposed;
- any shortcomings emerging from the checks carried out;
- any elements identified by the Internal Audit or any findings reported by the Validation Service;
- the risk objectives defined by the Group;
- any evidence emerged from discussions with the Supervisory Authorities.

Compliance function

The Compliance Department takes a risk-based approach to managing compliance risk with regard to the entire business activity. This is done through the assessment of the adequacy of internal procedures aimed at preventing the violation of applicable external rules (laws and regulations) and self-regulation (e.g. Articles of Association, Cohesion Contract and Code of Ethics).

In particular, in its role as Parent Company Function, it exercises control over the risks impending on the activities carried out by all the Cassa Centrale Group Companies in order to assess the various risk profiles contributed by these Companies and the overall risks of the Group. This translates into the performance of specific monitoring and verification activities concerning the Cassa Centrale Group as a whole and/or individual Group Companies, which therefore guarantee adequate information flows, timely responses to specific requests and collaboration in the event of remote or on-site verification.

The Compliance Department is separate from the other corporate control Functions from an organisational point of view, it reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties.

The Compliance Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Function and avails itself of the collaboration and support of the internal representatives of the same, who report hierarchically to the Board of Directors of the respective Company and, at the same time, report functionally to the Department Manager. With similar operating procedures, the Compliance Department also operates for the other Companies of the Cassa Centrale Group that sign an agreement to outsource the Function. This Department also carries out any further activities aimed at assessing and reporting the various risk profiles brought to the Group by the Companies and the overall risks of the Group.

For the monitoring of certain regulatory areas for which it is permitted by applicable regulations or for the performance of specific obligations in which the Compliance Department's activities are articulated, the same may make use of specialist compliance control units and/or support, remaining in any case responsible for the definition of risk assessment methodologies. In particular, the role of specialist control units is attributed to the Tax Service and the Workplace Prevention and Protection Office, for the respective regulations indirectly supervised by the Function.

In particular, the Compliance Department:

- continuously identifies the applicable rules and assesses their impact on corporate processes and procedures;
- collaborates with the corporate structures for the definition of methodologies for the assessment of compliance risks;
- identifies suitable procedures and/or organisational changes for the prevention of the detected risk, with the possibility of requesting their adoption;
- verifies the adequacy and correct application of the procedures for the prevention of the detected risk;
- ensures ongoing and continuous monitoring of the adequacy and effectiveness of the measures, policies and procedures relating to investment services and activities;
- prepares information flows directed to the corporate bodies and structures involved (e.g.: operating risk management and internal audit);
- verifies the effectiveness of the organisational adjustments (structures, processes, procedures, including operational and commercial) suggested for the prevention of compliance risk;
- is involved in the ex-ante assessment of the compliance with applicable regulations of all innovative projects (including the operation of new products or services) that the company intends to undertake as well as in the prevention and management of conflicts of interest between the different activities carried out by the company and also with regard to employees and company representatives;
- provides advice and assistance to corporate bodies in all matters in which compliance risk is significant;
- collaborates in the training of staff on the provisions applicable to the activities carried out;
- coordinates with the other corporate control functions in order to adopt consistent and integrated risk measurement and assessment methodologies and sharing priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- provides, for the aspects within its competence, its contribution to the Risk Management Department in the assessment of risks, in particular those that cannot be quantified, as part of the process of determining capital adequacy;
- collaborates with the Risk Management Department, in line with the Risk Appetite Framework (RAF), to develop appropriate methodologies for the assessment of operational and reputational risks arising from any areas of non-compliance, also ensuring the reciprocal exchange of information flows suitable for an adequate oversight of the areas of competence;
- spreads a corporate culture based on the principles of honesty, fairness and respect for the spirit and letter of the rules.

Anti-money laundering function

The Anti-Money Laundering Department adopts a risk-based approach in overseeing the management of the risks of money laundering and terrorist financing with regard to the company's activities by evaluating the adequacy of internal procedures intended to prevent the violation of applicable external standards (laws and regulations) and self-regulation (e.g. Articles of Association and Codes of Ethics).

The Anti-Money Laundering Department operates in accordance with the responsibilities assigned to it as a second-level corporate control Function of the Parent Company and fulfils the contractual obligations arising from its role as supplier to the Affiliated Banks and the user companies.

The Anti-Money Laundering Department operates, for the Affiliated Banks and the user companies, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Function, and avails itself of the collaboration and support of internal representatives, who, operating in close functional coordination with the Anti-Money Laundering Department, supervise the processes related to anti-money laundering legislation in the Affiliated Bank/User Company.

The Anti-Money Laundering Department of the Parent Company formulates and prepares specific directives and instructions to which the Anti-Money Laundering representatives must adapt their operations, in order to ensure the operational consistency of the Group in relation to the management and measurement of the risks of money laundering and terrorist financing.

In the event that a Group Company is the recipient of anti-money laundering obligations and has not outsourced the Function to the Parent Company, specific information flows are transmitted to the Anti-Money Laundering Department of the Parent Company by the same companies (the Annual Anti-Money Laundering Report, the annual planning of activities, any significant critical issues identified by the execution of anti-money laundering activities).

The Anti-Money Laundering Department has the objective of:

- contributing to the definition of strategic guidelines and policies for the overall governance of risks related to money laundering and terrorist financing, the preparation of communications and periodic reports to corporate bodies and the feeding of the Risk Appetite Framework, collaborating with other corporate control Functions in order to achieve an effective integration of the risk management process;
- developing a global approach to risk based on the strategic decisions taken by the Parent Company, defining the Group's methodology for assessing the risks of money laundering and terrorist financing, the procedures for coordinating and sharing information between Group Companies and general standards for the adequate verification of customers, the retention of documentation and information and the identification and reporting of suspicious transactions;
- ensuring adequate Group supervision, continuously verifying the suitability, functionality and reliability of the anti-money laundering arrangements, the procedures and processes adopted within the Group and their degree of adequacy and compliance with the law;
- playing a management and coordination role in relation to Group Companies, promoting and spreading the culture of prevention of the risk of money laundering and terrorist financing.

The Anti-Money Laundering Department oversees and coordinates the management of money laundering and terrorist financing risks, through the execution of a series of activities that may be related to the following types of processes:

- main processes, i.e. the set of activities aimed at the correct fulfilment of the obligations of proper customer due diligence, data and information retention and reporting of suspicious transactions;
- cross-cutting processes, i.e. the set of activities functional to mitigate and contrast the risk of money laundering.

In the performance of its duties, the Anti-Money Laundering Department has access, in the manner deemed most appropriate, to all activities and to all central and peripheral structures of the Group, as well as to any information that it deems relevant for the performance of its duties and is equipped with tools that are useful for carrying out the controls for which it is responsible.

As part of the integrated internal control system, the Anti-Money Laundering Department contributes in its areas of responsibility to:

- the definition of a common risk taxonomy for analysis and evaluation activities;
- the constant exchange of information;
- the establishment of uniform risk measurement and reporting methods;
- the management of any misalignments in the level of risk assessments that have emerged during the planning of activities;
- the examination of the findings that have emerged and the related corrective actions proposed, examining any conflicting assessments in order to reach a single and satisfactory solution for all the corporate control Functions that have highlighted the same significance.

Human Resources

The total workforce of the Cassa Centrale Group as at 30 June 2022 stood at 11,610 employees, compared to 11,448 as at 31 December 2021.

Staff composition by category and gender

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER	30/06/2022			31/12/2021	Change	% change
	Men	Women	Total	Total		
Executives	180	12	**192**	187	5	2.7%
Middle managers	2,349	738	**3,087**	3,087	-	0.0%
Office staff	4,199	4,132	**8,331**	8,174	157	1.9%
TOTAL	**6,728**	**4,882**	**11,610**	**11,448**	**162**	**1.4%**

Staff composition by age group

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP	30/06/2022				31/12/2021	Change	% change
	<30	30-50	>50	Total	Total		
Executives	-	37	155	**192**	187	5	2.7%
Middle managers	-	1,267	1,820	**3,087**	3,087	-	0.0%
Office staff	883	5,219	2,229	**8,331**	8,174	157	1.9%
TOTAL	**883**	**6,523**	**4,204**	**11,610**	**11,448**	**162**	**1.4%**

The average age of the Group's personnel is in the 30-50 bracket with about 56% of employees in that bracket.

The long-term strategy of the Group is always oriented towards the quality of its human resources, with a primary commitment in promoting the constant development of individual and group capabilities and skills.

The main guidelines followed by the Group are valuing initiative and flexibility, supporting growth opportunities through adequate development paths and promoting active participation in the implementation of projects, providing instruments and methods for the emergence of innovative contributions to be made available to the company.

Corporate culture and brand identity

In the first half of 2022, the Human Resources Department worked to promote a corporate culture capable of enhancing the unique characteristics of the Cassa Centrale Group, promoting care and attention towards its employees and directors. The pandemic was not conducive to direct interaction between people, but thanks to the use of technology, webinars, live debates, and sharing of best practices in expert communities were conducted, enabling professionals from the Parent Company and Representatives of the Affiliated Banks to engage with each other on a daily basis, in order to understand the needs of the Banks and incorporate them into the strategies of the Parent Company. In the first six months of 2022, new online "Communities of Practice" were established; this tool is increasingly being used by various Services in order to engage with those operating at the banks who deal with certain issues. The Communities are spaces for discussion and growth, but also represent smart and efficient tools for conveying practices and behaviours that support the sharing of Group-wide policies and regulations.

The project on the corporate identity of Cassa Centrale Banca was strengthened with the realisation of the "Manifesto of values", built within the Parent Company through the dialogue of people with different experiences, young people and managers engaged in the search for those "key words" that could be used to represent the identity culture of the Parent Company.

The Cassa Centrale Banca Manifesto outlines the purpose to promote the positive impact the company has on communities, employees and investors. Having a clearly stated purpose helps to recruit like-minded people and to make decisions in line with the Group's values. To this end, numerous video interviews were conducted with employees to tell different stories based the words and values that underpin the corporate identity of the Cassa Centrale Group.

In order to give continuity to the brand identity project that began with the creation of the Parent Company's Manifesto of Values, in the first half of 2022 the "Posterzine" project was developed, aimed at producing on output somewhere between a poster and a magazine - a physical object with a dual purpose: to provide materiality, a point of contact and physicality after a period of purely remote and digital interactions, emphasising the key points that emerged from the Manifesto. Five editions of the Posterzine are planned, to be launched between 2022 and 2023, each with a focus on one of the specific keywords identified in the Manifesto and told with originality through articles and interviews. The ultimate goal is to create a sense of belonging and togetherness, as well as to increase colleagues' knowledge.

Wellbeing remains an important pillar in the strategy to build the Group's corporate culture. Consequently, the mental health wellbeing awareness project continued in the first half of 2022, through ad hoc webinars aimed at employees. The free listening and mental health counselling service for the Group's staff, supported by professionals from the Mindwork network, which has partnered in these initiatives, continues to be highly appreciated and widely used, including for personal growth plans delivered with the support of expert coaches.

In synergy with the External Relations and Sustainability Department, activities to raise awareness and improve understanding of ESG issues continue: workshops, seminars, and communities of practice for experts aim to involve employees at various levels to encourage them to take responsibility for environmental, social and governance impacts.

In the first half of the year, the project "Sam, the employee who gives voice to employees" continued. This initiative focuses on the implementation of the Qualtrics tool, which enables surveys to be carried out to obtain quantitative and qualitative measurements of employee engagement. As a result of the surveys, the staff onboarding process has been improved. This has required a great deal of effort in recent years both due to the significant intake of new resources and the pandemic, which resulted in the use of digital technologies and prevented in-person meetings with and among new colleagues.

Agile working

Remote working was been widely used in order to safeguard the health of the Group's employees, and it has consequently been necessary to provide staff with the essential technical and regulatory tools required to efficiently work from home. To ensure the correct use of these tools, training materials of various kinds were shared with employees: video tutorials, manuals, infographics and dedicated pages on the internal communication portal.

Furthermore, in order to promote the wellbeing of employees while performing their work remotely, the "Wellness Corporate - Feel good while working" project was launched, in synergy with the OSH Department and Eukinetica, a leading company in the field of corporate wellbeing. A "Wellbeing' strategy" based on training and awareness-raising was implemented, aimed at promoting a culture of wellbeing also in remote working contexts.

The Human Resources Department also supported management in the transition to the specific HR approach required for remote working, especially with regards to performance measurement and the communication of the company culture. For this purpose, managers were provided access to:

- self-learning tools such as online courses, video-pills, insights and testimonials on how to manage their teams remotely or in hybrid situations;
- a performance management model for the Parent Company and Allitude designed to respond to the needs arising from agile working.

Recruiting activities

Even during the health emergency, recruiting activities continued. Thanks to the use of the SAP Success Factors platform and videoconference tools, it was possible to continue with job posting activities, review of applications and interviews. Technology has proven its efficiency in supporting experts and managers in their search for tomorrow's talent.

Partnerships to innovate and compete

The well-established partnership with SDA Bocconi School of Management has made it possible to create new high-level professional training courses and to continue to provide the on-going courses in new ways, in full compliance with Covid-19 security measures.

The partnership with CeTif, the Research Centre on Technologies, Innovation and Financial Services at the Sacred Heart Catholic University continues to contribute to providing skills to the Group Banking Care Academy.

In the first half of 2022, the partnership with Alta Formazione was strengthened to create soft training content for Group Banks and employees of the Parent Company. Talent Garden also took part in this project, providing content on the innovative "Agile" methodology.

After consolidating the partnership with the Politecnico di Milano, the collaboration with SkillGym in 2022 contributed to the start of new digital transformation, managerial development and awareness-raising projects focused on Diversity and Inclusion to support the entire Group. SkillGym is a Swiss company specialising in the development of artificial intelligence simulators based on state-of-the-art, high-quality training theories and methodologies.

The drive to promote an organisational culture focused on the respect for diversity was supported by the launch of a partnership with Valore D, a long-standing association of Italian companies that works to promote gender balance and an inclusive culture in organisations and in Italy in general.

Developing human capital: training and skills development in the Group

The Banking Care Academy is responsible for the design, promotion and implementation of training courses for the Cassa Centrale Group, with training programmes reaching all employees through the SAP SuccessFactors LMS Learning Management System platform.

Skills certification, which is an essential element of certain Academy courses, was ensured through a new online certification skills verification software tested in universities around the world and essential for managing the learning assessment process.

In 2022, the most innovative projects focused primarily on ESG issues: in addition to the promotion of the online programme designed by Asvis and based on the 2030 Agenda objectives to raise awareness at all levels among the majority of the Group's employees, a good practice comparison project was promoted within the Affiliated Banks.

As part of the "La Capogruppo Forma" training initiatives made available to the Affiliated Banks and conducted by the experts from the Parent Company, seminars on ESG issues in banks were held for employees, providing training, presenting and discussing the findings of the Non-financial Statement, and promoting communication initiatives on the topic.

High quality multimedia content, systems for monitoring and controlling users during the online certification assessments for evaluating skills in vocational courses (proctoring model), interaction, and the use of elements borrowed from games and supported by game design techniques in learning contexts (gamification) are the key elements at the heart of the Group's e-learning proposal. The programme is created with a synergetic and coordinated approach, uniting the points of view of those with knowledge of the content with those who can offer creativity, experience, innovation and methodologies. Thanks to this approach, the e-learning programme is able to evolve throughout the year and adapt to regulatory updates and the Regulations and Policies issued by the Parent Company, also based on the input provided by the Parent Company's Departments and Affiliated Banks and the countless national and international SAP hubs and communities in which the Cassa Centrale Group regularly participates.

In the first half of the year new elements were added to the E-learning library of the Parent Company, with more than 60 online courses made available to the Affiliated Banks, which the Group's employees can access from PCs, tablets and smartphones any time, anywhere, through an LMS system that meets the highest ICT security requirements The quality of the content, speakers and methods is recognised through user satisfaction surveys at the end of each training element.

The expansion of the Self-Registration Catalogue, which is now available to the Parent Company, Allitude and a number of pilot Affiliated Banks, will enable the SAP tool to reach its full potential. In line with market trends and the need for "Seamless Learning", the Self-Registration Catalogue was created to expand and personalise the learning environments available to employees, offering them the opportunity to make use of "informal learning environments" (blogs, articles, mini-pills, inspirational and testimonials) and providing suggested elements based on certain roles and the associated the skills that need developing.

Remuneration policies

On 30 May 2022, the Ordinary Shareholders' Meeting of the Parent Company - on the proposal of the Board of Directors - approved the Group's 2022 remuneration and incentive policies for all personnel, including the most important personnel, as well as members of corporate bodies.

With regard to Group Companies within "scope", the Remuneration and Incentivisation Policies (hereinafter also referred to as the "Policies") approved by the respective Shareholders' Meetings were adopted by formal resolution of the respective Shareholders' Meetings for the Affiliated Banks and by competent bodies for the other Companies.

In particular, the Policies have been defined on the basis of the 37th update of 24 November 2021 of the Regulatory Provisions on "Remuneration and Incentive Policies and Practices", issued by the Bank of Italy in November 2014 with the 7th Update of Circular no. 285 of 17/12/2013 in implementation of EU Directive 2013/36/EU of 26/06/2013, as amended by Directive (EU) 2019/878 (so-called CRD V), and Delegated Regulation (EU) no. 923/2021 of 25 March 2021, which supplements Directive no. 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out qualitative and quantitative criteria able to identify staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of the CRD. The Guidelines on Sound Remuneration Policies under Directive 2013/36/EU, issued by the EBA on 2 July 2021, were also considered.

The Policies also comply with the Provisions on "Transparency of banking and financial transactions and services"; appropriateness of relations between intermediaries and customers, updated by the Bank of Italy on 19 March 2019, align national provisions with the Guidelines on remuneration policies and practices relating to the sale and supply of retail banking products and services issued by EBA in December 2016.

Furthermore, the Policies include information on their consistency with the integration of sustainability risks, in compliance with the provisions of Article 5 - Transparency of remuneration policies in relation to the integration of sustainability risks of Regulation (EU) no. 2019/2088 of the European Parliament and of the Council of 27 November 2019.

The Policies describe in an organic manner: the principles on which the Cassa Centrale Group's remuneration and incentive system is based; the roles, timing and activities that define the governance of the process of drafting, reviewing and adopting Group remuneration and incentive policies; the remuneration and incentive system to be adopted in 2022 by the Group for all employees, including the most important personnel, as well as for the members of corporate bodies.

The aim is to implement remuneration systems consistent with the Group's values and the shared aims of the Affiliated Banks to support the interest of all stakeholders. The remuneration policies support the Group's long-term strategy and the achievement of its corporate objectives - including sustainable finance, taking ESG factors into account. They are defined in accordance with the Group's prudent risk management policies, including strategies for monitoring and managing impaired loans, as defined under the current provisions on the prudential control process.

For further information and a detailed description of the policies in place, please refer to the document "2022 remuneration policies" available on the Cassa Centrale Banca website at the address www.cassacentrale.it, in the Governance section.

Welfare and Trade Union Relations

In the first half of 2022, the Welfare, Trade Union Relations and Labour regulations Service engaged in several trade union negotiations on management of redundancies and generational turnover (Solidarity Fund). In particular, in March and April, the Affiliated Banks involved in these operations were:

- Banca del Veneto Centrale;
- BancaTer Credito Cooperativo FVG;
- Banca Malatestiana.

In March, the redundancy management negotiations, which for the first time involved Allitude, were also successfully concluded.

The above-mentioned agreements affected some 70 potential employees who will access the Solidarity Fund in the period 2022 - 2027. To offset the redundancies, over the same period of time a generational renewal programme (recruitment on a permanent basis and/or conversion from fixed-term to permanent) was planned, with a target of around 45/50 new resources.

Initial economic impact surveys were also initiated with certain BCC/CR/Raika members with a view to activating the Solidarity Fund during the year.

With respect to other extraordinary transactions, the following mergers were completed in the first half of 2022:

- BCC Alto Vicentino which incorporated C.R.A di Vestenanova;
- Banco Marchigiano which incorporated BCC del Gran Sasso;
- BCC di Alberobello e Sammichele di Bari which incorporated BCC di Monopoli;
- CR Val di Non which incorporated CR Rotaliana e Giovo.

Employment law support continued to be provided to the competent Compliance and Remuneration Departments for the drafting of individual agreements for the consensual termination of employment and/or redefinition of specific contractual clauses.

Continuous support was provided to the BCC/CR/Raika members on the following issues:

- drafting opinions on employment law issues and preparing the contractual documentation for the management of subordinate and para-subordinate employment relationships;
- out-of-court assistance in the management of individual and collective labour disputes and related settlements and in the management of disciplinary proceedings and any appeals;
- support in the drafting and revision of internal regulations and policies with impacts on personnel management; drafting of internal circulars on legal, management and contractual issues;
- assistance in the interpretation of employment law and in the correct application of contractual regulations as well as the various corporate reorganisation processes implemented by Group banks.

As regards the procedures initiated between the National Secretariats of Trade Unions (OO.SS.) and Federcasse, after a long series of negotiations that began in October 2021, on 11/06/2022 the renewal of the CCNL for Professional Areas and Middle Managers of Credito Cooperativo, which expired in December 2019, was agreed.

The renewal agreement, which will expire on 31 December 2022, is in line with the agreements of 13 May 2021 that had established new contractual structures, replacing, in various areas, the Parent Company with the local federations.

In brief, as regards the financial terms, the renewal agreement provides for the adaptation of the pay scales to those of the ABI sector, with the parametric scale remodelled accordingly.

There is also an increase in payments to Bilateral Trade Associations such as the Mutual Fund and Pension Fund[19].

Finally, with regard to the procedures initiated between the National Secretaries of Trade Unions (OO.SS.) and Federcasse, negotiations continued for the renewal of the National Collective Labour Agreement for Executives and the work of the permanent National Commission established by the shared Protocol on "Measures to prevent, combat and contain the spread of the Covid-19 virus in the Cooperative Credit category" signed on 24 March 2020.

[19] For details on salary adjustments and payments to the Bilateral Trade Associations, please see articles 28, 29 and 30 of the CCNL

Other information on operations

Consolidation and development of Corporate Identity activities

In the first half of 2022, as part of the post-pandemic economy recovery, a series of activities aimed at providing continuous support to the banks and regions continued.

In cooperation with the Finance Department, the "PAC NEF Minori" product was made available to the Banks, which allows them to subscribe NEF funds on behalf of under-18s who become beneficiaries of the financial instrument. This product is part of the broader "Youth Project", which is characterised by four distinct product areas. Each product is represented by a specific target differentiated by age bracket. In particular, in the case of the "PAC NEF Minori", the product is aimed at the "under-18" bracket and can be offered as an additional or alternative savings product to the "Risparmiolandia" savings account and the "Oraomaipiù" current account, or the financial instrument linked to the securities portfolio until the account holder turns 18. The creativity of the "PAC NEF Minori" product has been designed in line with the communication on all products in the "Youth Project" category. In parallel, the spazioanoi.it website and the websites of the Banks were updated to highlight the new product, and a series of communication materials and media were made available to the Banks to raise awareness of this tool.

The Youth Project - specifically the www.spazioanoi.it website - also won the prestigious "Best Engagement Special Award" of the 23rd Interactive Key Award 2022. This major award praised the Group's ability to convey an important topic such as conscious saving in a modern language and in a fun way.

In the e-money sector, a new advanced Visa Debit card was launched on the market, the result of a project stemming from an important partnership with Visa, the global payments sector leader, which involved various departments of both Allitude and Cassa Centrale Banca.

Visa Debit is an advanced debit card that, compared to the standard debit card, offers maximum spendability globally thanks to the Visa circuit and can also be used online, combining the typical advantages of a debit card with those of a credit card. It represents the natural evolution of the graphic restyling process that characterised the "Classic Nexi" debit, pre-pay and credit cards at the end of 2021. The card design of the new payment card was designed to align with the Group's identity and image and, like the other cards, features the Group logo integrated directly onto the graphic layout of the card as a distinctive and stand-out element.

Thanks to the partnership with Visa, it was also possible to plan and organise a series of initiatives, aimed at both Banks and end customers, with the aim of promoting and publicising the product, such as a prize competition from 11 April to 30 June 2022 dedicated to all Visa Debit holders, with 30 e-bikes and an electric Fiat 500 to be won.

In order to support sales and raise product awareness among a wider public, a major digital and social media campaign was launched at national level to promote the competition using various communication tools: news, finance and sports portals, programmatic advertising, Facebook, Instagram, Spotify and YouTube.

Also in the Payment Systems sector, the project aimed at the digitisation of e-money products through the addition of virtual cards to the Apple pay wallet continued in early 2022. Working in collaboration with Apple, the Marketing Departing designed the communication concept aimed at promoting and developing the service across Italy.

The initiative aimed to promote the use of digital wallets and was developed in line with the Group's principles and values of sustainability and proximity to the regions in which the Banks operate. Thanks to the collaboration with AzzeroCO2, a company founded in 2004 by Legambiente and Kyoto

Club to support companies, organisations and territories in the ecological transition, a prize competition (1 April - 31 May 2022) was launched as part of the "Mosaico Verde" project to reforest new areas and protect Italy's woodland, in which each participating customer could contribute to the planting of a tree to create a forest of over 1,000 trees in the Gargano National Park in Apulia.

Also in the first half of 2022, and in cooperation with the Payment Systems Department, the partnerships with Nexi and American Express continued through a series of commercial initiatives aimed at building customer loyalty and encouraging card spending.

As part of the broader scope of activities aimed at introducing and consolidating the Group's identity, and following a very positive response to previous programmes, in March 2022 the third flight of the Cassa Centrale Group's national multi-channel communication campaign was launched. Following the activities of the two previous editions (at the end of 2020 and in March 2021), a packed TV, press, radio and digital schedule was planned, with the main objective of promoting the recognisability of the Cassa Centrale Group pictogram and a more vertical focus on the concept of Cooperative Credit and the composition of the Group, made up of numerous local and autonomous banks.

In order to facilitate the Banks in carrying out the new meeting procedures (not in person but with an Appointed Representative) and to allow them to easily and promptly convey the information required for adequate participation in the meetings, a specific section called "2022 Shareholders' Meeting" was proposed again on MyCMS (the platform for managing the Bank's websites). In addition to the regulatory section, communication aids (videos, infographics, etc.) have been developed for all Group Banks, and a reserved area has been made available to Shareholders for pre-meeting documents.

In continuity with previous years, work continued on the MyCMS (Content Management System), an easy-to-manage multi-site shared platform that allows the individual bank to configure and customise its website in just a few steps. Following the developments in 2021, both on the back-end and on the graphics and user experience side, in the first half of 2022 a timely analysis began to migrate the open source platform from Umbraco version 7 to version 8. This migration (scheduled for September 2022) will further develop the MyCMS system with the aim of providing the Banks' site administrators with an increasingly powerful and usable tool.

As at 30 June 2022, 61 Affiliated Banks joined this important project; of these, 58 have already published their website with the new platform.

Following the performance analysis of the corporate website cassacentrale.it and the demographic and behavioural analysis of the public aimed at assessing its positioning and visibility, constant monitoring activities continued with a view to strengthening the positioning of the brand in the search engine results pages and sharing information aimed at raising awareness on specific corporate topics.

The Group's commitment to sustainability continued, with the aim of further communicating the values that make us different and underpin our actions. In order to illustrate the Group's commitment to these important issues, an in-depth section dedicated to the Sustainability Plan has been set up within the "Sustainability" section of the company website www.cassacentrale.it. Using simple and immediate language, it aims to illustrate to stakeholders the Sustainability Plan, approved by the Board of Directors and structured into four areas of action: Governance and Sustainable Business Development, Collaborators, Shareholder and Customer Community, Environment.

Activities continued to enhance the NFS - Non-Financial Statement. In line with previous years, in order to increase stakeholder engagement and brand awareness on sustainability issues, traditional communication channels were supported by a targeted omnichannel communication strategy aimed at both the physical network and the digital world. In support of the Affiliated Banks and continuing the progress of previous years, a graphic layout was prepared for the Consistency Statement, in line with the institutional material and the Parent Company's Consolidated Financial Statements, produced as a leaflet, a video, an ADV page and digitally as a single-page site showing the main results. The "Sustainability" section in MyCMS, available to all Banks that use the platform, was also updated in order to further communicate the theme of Corporate Social Responsibility and the values that make us different.

In the course of coordinating the Group's communication, and given the importance of the NRRP, a dedicated communication plan was developed specifically for the National Recovery and Resilience Plan. The communications were created to have deliberately generic content in order to be adapted by the individual Banks to meet the different need of each Branches and to highlight any initiatives. The communication plan is characterised by an emotive visual graphic and the tagline "Future Direction", emphasising the role of the Banks and the Group as the perfect partners to support companies towards the future, accessing measures and calls for tenders in digitisation processes and with dedicated loans

Also in the area of Group communication, two major digital campaigns were held in the first half of 2022:

- "With a NEF PAC you feel protected", a prize competition open to all customers of NEF placement Banks, for which Cassa Centrale Banca is the main distributor and Paying Agent. To further support sales, a national digital campaign was launched under the NEF and Cassa Centrale Banca brand name on search engines and information web portals, which ran from 1 November 2021 to 31 January 2022;
- "PIP CASH. MORE VALUE TO YOUR INVESTMENTS': in order to support sales in the Asset Management sector, a national digital campaign was launched under the Cassa Centrale Group brand, which ran for around two months (15 February - 15 April), and was promoted on Google Adwords and Display, LinkedIn and with native content.

Finally, the Marketing Department developed the project to map and organise the communication channels aimed at end customers, working in collaboration with the Digital Department of Cassa Centrale Banca and Allitude. The project, which began with the restyling of the Digital Bank and included all of the communication tools aimed at end customers, had the dual objective of promoting the knowledge and understanding of the most effective communication methods and offering a comprehensive tool to identify the most useful elements for daily communication activities.

In fact, it is important for each Bank to be able to identify the most suitable medium for the type of information it wishes to convey, providing comprehensible and timely guidelines in order to transmit information in the most effective and coherent manner possible. To ensure that the process is efficient and straightforward, the existing media were categorised according to need, scope and channel, and the necessary set of procedures, manuals and requirements were collected.

Relations with related parties

Details of transactions with related parties are provided in Part H of the Explanatory Notes, to which reference should be made.

Information on going concern, financial risks, impairment testing of assets and uncertainties in the use of estimates

With reference to the Bank of Italy, CONSOB and Isvap documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, concerning the information to be provided in the financial reports on the business outlook, with particular reference to business continuity, financial risks, impairment testing and uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonable expectation that the Group can continue to operate in the foreseeable future and therefore certifies that the condensed and consolidated half-yearly financial statements as at 30 June 2022 have been prepared on a going concern basis.

There are no elements or warnings in the Group's equity and financial structure and operating performance that could lead to uncertainties as to its ability to continue as a going concern.

For information on financial risks, impairment testing of assets and uncertainties in the use of estimates, reference should be made to the information provided in this report, comments on operating performance, and/or in specific sections of the condensed and consolidated half-yearly financial statements.

Own shares

The share capital of the Parent Company Cassa Centrale Banca amounts to EUR 952,031,808, made up of 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

As at 30 June 2022, 15,874,453 ordinary and preference shares with a nominal value of EUR 825,471,556 (corresponding to 86.71% of the share capital) are held by the Affiliated Banks of the Cassa Centrale Group and therefore, in the consolidated financial statements, these are to be considered as own shares held in portfolio.

No shares of the Parent Company were sold during the year.

Policies for business continuity management

The evolution of the Group's Business Continuity department and related activities has revealed certain process areas that can be improved and refined. In response, in the first half of 2022 the Group incorporated and regulated these improvements in a new "Regulation on Business Continuity and Crisis Management".

In particular, the Regulation formalised the updating of the Business Impact Analysis methodology, and introduced a new business continuity Risk Assessment process with a method for identifying the associated risk, analysing vulnerabilities, and determining residual risk and related mitigation measures.

On an organisational level, the roles and responsibilities of the Risk Management Department were formalised in the Regulation, and a Local Emergency Unit was introduced for the management of local incidents of individual companies.

Following the consolidation of the Basic Indicator Approach (BIA) results carried out during the previous year, the Parent Company's Business Continuity Plan was updated.

Tests were planned for 2022 with particular reference to the technological test of the Disaster Recovery solution provided by Allitude, which were successfully completed.

The initiatives to manage the Covid-19 pandemic emergency also continued, ensuring the operational continuity of business processes, with advisory activities and monitoring of their implementation at Group level and with a special reference to the measures introduced by the authorities (e.g. checking the Green Pass).

After the end of the health crisis and considering the ongoing risk of Covid-19, and in order to ensure homogeneous and coordinated interventions and measures at Group level, Cassa Centrale Banca continued to send guidelines, communications and circulars, both informational and regulatory, to the Banks and Companies of the Group, in compliance with the restrictions and government provisions being issued and regular and constant information flows to corporate bodies have been envisaged. Cassa Centrale Banca has set up numerous initiatives in implementation of the government DPCM and the protocols shared with the corporate partners, giving continuity to the measures adopted since the beginning of the pandemic.

During this period, widespread information continued on the Covid-19 emergency, on risks and prevention measures through the issue of circulars to employees, infographics and posters affixed at the workplace and the substantial continuation of work in remote mode by the employees, with appropriate information on the risks of agile work and on safety in terms of risk.

The adoption of specific protocols for company sanitation and hygiene continued, the use of certified masks as personal protective equipment and disinfectant gel, as well as the updating of the regulations of the procedures for opening branches and related access by customers, providing for the use of appointments for the performance of operations that cannot be carried out remotely and that are of an urgent nature, in line with government measures.

In compliance with the government measures issued and the external context in relation to the level of spread of the virus, the specific company regulations for the procedures to be applied to the return of normal operations have been constantly adjusted and updated, with particular attention paid to the measures relating to physical distancing in the offices, the checking of the Green Pass when required by law and the numerical monitoring of staff returning from remote working on the basis of pre-established parameters.

In continuity with the control and protection actions linked to the spread of the Covid-19 epidemic, Cassa Centrale Banca deemed it appropriate to renew the verification of its prevention plan through a voluntary and independent assessment process, entrusting for this purpose Bureau Veritas, a company world leader in the assessment and analysis of risks related to quality, environment, health, safety and social responsibility.

Following the carried out assessments, Cassa Centrale Banca obtained the additional confirmation of the "Safe Guard" certification demonstrating that it had managed the specific risks linked to the Covid-19 emergency in compliance with the regulatory provisions issued by the Authorities.

In cooperation with the relevant departments, initial assessments were launched on the potential impacts of the Russia/Ukraine conflict, with particular reference to cyber risks and the energy crisis.

Organisation, management and control model for crime prevention pursuant to Italian Legislative Decree no. 231/2001

In implementation of the delegation pursuant to article 11 of Law no. 300 of 29 September 2000, Legislative Decree no. 231 of 8 June 2001 (hereinafter also "the Decree") was issued, with which the legislator aligned domestic regulations to the international conventions, adopted also by Italy, on the liability of legal persons.

These in particular include the Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Communities, the Convention signed in Brussels on 26 May 1997 on the fight against corruption involving officials of the European Community or of the Member States and the Organisation for Economic Co-operation and Development (OECD) Convention of 17 December 1997 on the fight against corruption of foreign public officials in economic and international transactions.

The Decree sets out the "guidelines for the administrative liability of legal entities, companies and associations, including those without legal personality" and introduced into the Italian legal system a system of corporate administrative liability specifically for the listed offences committed in the interests or to the benefit of those legal entities: (i) by natural persons performing roles of representation, administration or management of those entities or of one of their organisational units with financial and functional autonomy, as well as by natural persons exercising, including de facto, the management and control of those entities, or (ii) by natural persons subject to the management or supervision of one of the above-mentioned persons.

The entity is not liable, on the other hand, if the aforementioned parties have acted in the exclusive interest of themselves or of third parties (art. 5, paragraph 2 of the Decree) or when it voluntarily prevents the carrying out of the action or the occurrence of the event.

In any case, the administrative liability of entities is independent of the criminal liability of the natural person who committed the offence.

The offences for which the administrative liability of entities is configurable, with specific indication of the applicable sanctions, are listed in Section III of the Decree. The Decree provides for forms of exemption from the administrative liability of entities. In particular, it establishes that, in the event of a crime committed by a top management party, the entity is not liable if it proves that:

- the management body has adopted and effectively implemented, prior to the commission of the offence, organisational and management models suitable for preventing offences of the type that occurred;
- the task of supervising the functioning and observance of the models and their updating has been entrusted to a corporate body with autonomous powers of initiative and control;
- individuals have committed the offence by fraudulently circumventing organisational and management models;
- there has been no lack of or insufficient supervision by the body responsible.

Therefore, in the case of a crime committed by top management, there is a presumption of liability on the part of the entity due to the fact that such parties express and represent the policy and, therefore, the will of the entity itself: this presumption, however, can be overcome if the entity can demonstrate the existence of the four conditions indicated above in compliance with the provisions of art. 6, paragraph 1 of the Decree.

In this case, although there is personal responsibility on the part of the top management, the entity is not liable under the Decree.

In the same way, the administrative liability of the entity also exists for offences committed by subordinates, if their action was made possible by failure to comply with management or supervisory obligations. In any case, failure to comply with these management or supervisory obligations is excluded if the company demonstrates that it has adopted and effectively implemented, prior to the commission of the offence, an organisational and management model suitable for preventing offences of the type that has occurred.

The Model must meet the following requirements:

- identification of the activities within the scope of which there is the potential that offences provided for in the Decree may be committed;
- provision of specific protocols aimed at planning the formation and implementation of the company's decisions in relation to the crimes to be prevented;
- identification of methods of managing financial resources suitable to prevent the commission of such offences;
- provision of information obligations towards the body responsible for supervising the functioning of and compliance with the Model;
- introduction of a disciplinary system suitable to sanction non-compliance with the measures indicated in the Model;
- provision of adequate information channels that, also through IT methods and ensuring the confidentiality of the identity of the reporter, allow individuals in top positions and their subordinates to submit detailed reports of unlawful conduct or violations of the Model;
- prohibit retaliatory or discriminatory acts against whistle-blowers for reasons linked - directly or indirectly - to the reporting of potential violations of the Model.

The Parent Company has long since adopted a Model aimed at preventing the risk of incurring administrative liability of entities for the offences provided for in the Decree. The Cassa Centrale Banca model consists of two parts.

The General Section provides a description of the reference regulatory framework, the Bank's governance model and organisational set-up, the tasks and responsibilities of the Supervisory Board, the disciplinary system and the training and communication plan relating to the Model. It also provides indications on the methodology used to define the Model. Lastly, it identifies the roles and responsibilities regarding the adoption and updating of the Model.

The Special Section, organised in specific protocols for each category of offence envisaged by the Decree, identifies the sensitive activities within which the commission of such offences is reasonably conceivable, as well as the control measures, the organisational measures and the behavioural principles to be adopted for the purpose preventing their commission.

In particular, through the adoption and constant updating of the Model, the Parent Company has proposed pursuing the following main objectives:

- contribution to the internal dissemination of knowledge of the offences provided for in the Decree and of the activities that may lead to their implementation;
- communication within the Bank of the knowledge of activities in the context of which there is a risk of offences being committed and the internal rules adopted by the Bank governing the same activities;
- communication of full awareness that conduct contrary to the law and internal provisions is condemned by the Bank, as, in carrying out its corporate mission, it intends to comply with the principles of legality, fairness, diligence and transparency;
- assurance of an organisation and system of controls appropriate to the activities carried out by the Parent Company and guarantees of the correctness of the behaviour of top management, employees and collaborators.

With the establishment of the Cooperative Banking Group, the Parent Company launched a project to progressively adapt its Model in order to ensure alignment with the new governance structure and the changed operating environment. The updating activity was concluded with the approval of the same by the Board of Directors on 4 June 2020, also taking into account the regulatory changes introduced in 2019. With respect to these changes, the Parent Company has also provided operational support to the Affiliated Banks for updating their respective Models.

At the same time, the Parent Company continued the project aimed at rationalising and standardising the management of the administrative liability of entities by the Group Companies, through the preparation of a document containing principles and guidelines with which they are required to comply. In particular, the document provides that the Affiliated Banks are required to adopt, in line with the indications contained in the document, their own Organisational, Management and Control Model, to be shared with the Supervisory Board and subsequently submitted for approval to the Management Body; Italian-registered subsidiaries other than the Affiliated Banks are required to adopt a Model if, on the basis of the results of the risk self assessment, a clear exposure to the risk of offences being committed is identified. In such cases, they are also required to set up a Supervisory Board in accordance with the guidelines provided in the document, as well as to prepare specific information flows aimed at enabling the Parent Company to become aware of relevant facts concerning the companies themselves.

The Decree has been subject to a number of amendments, including during the reporting period:

- Legislative Decree no. 184/2021 of 8 November 2021, entered into force on 14 December 2021, which introduced art. 25-octies.1 into Legislative Decree 231/2001;
- Legislative Decree no. 195/2021 of 8 November 2021, entered into force on 15 December 2021, amending some of the predicate offences referred to in article 25-octies;
- Law no. 238 of 23 December 2021, entered into force on 1 February 2022, which amended certain provisions of the Decree, specifically: (i) certain predicate offences under article 24-bis; (ii) one of the predicate offences under article 25-quinquies; and (iii) one of the predicate offences under article 25-sexies;
- Law no. 22 of 9 March 2022, entered into force on 23 March 2022, which introduced articles 25-septiesdecies and 25-duodevicies into the Decree;
- Law no. 25 of 28 March 2022, entered into force on 28 March 2022, which amended part of the predicate offences referred to in article 24 of Legislative Decree 231/2001.

Consequently, Cassa Centrale Banca commenced the assessment of the impacts of the new regulations listed above through the performance of the risk assessment, aimed at identifying the activities within which the offences may be committed as well as determining the relative level of exposure to the risk of commission thereof and the appropriate mitigating measures. This activity was concluded with the approval, by the Board of Directors, of the update of the Model on 12 May 2022.

Subsequently, documentation templates were issued to the Affiliated Banks, to be customised in relation to the specific operating context of each one, to support the updating activities, which remain the responsibility of the individual Affiliated Bank.

For more details on Law no. 238 of 23 December 2021, Law no. 22 of 9 March 2022 and Law no. 25 of 28 March 2022, please refer to the section '"Significant regulatory events in the first six months of the year".

Sustainability

The Sustainability Plan

In recent years, sustainability has become increasingly important and has become a central theme in the United Nations 2030 Agenda and in policy goals for the future.

Aware of the importance of pursuing sustainable development, the Cassa Centrale Group has set itself the goal of guaranteeing, in the light of the cooperative values that distinguish it, the transition to economic, social and environmental sustainability for all the communities and territories in which it operates, acting as an interpreter of sustainability, according to its own path, which respects its specific features that can be summarised as follows:

- as banks: to maintain balanced management in order to be able to play a full role in serving the Communities;
- as a BCC: to enhance knowledge of proximity and the privileged relationship with cooperative members, which derive from its regional roots and limited size;
- as a Group: combining the autonomy of banks with the economies and synergies of being a Group.

Non-financial reporting is prepared by ensuring comparability with the rest of the banking system and at the same time enhancing the principles of mutual cooperation.

The activities already underway and those planned for the future according to a gradual path have been collected in the first Sustainability Plan, approved by the Board of Directors at the meeting of 2 December 2021 and structured into four key areas: Governance and Sustainable Business Development, Collaborators, Shareholder and Customer Community, Environment. These areas refer to the Sustainable Development Goals and summarise the detailed initiatives.

The Plan represents the organic evolution of activities already carried out, combining different elements:

- the Strategic Plan, both in general terms and in terms of ESG enabling factors and related indicators (KPIs);
- the aforementioned Sustainable Development Goals, legal and regulatory requirements and the Group's identity principles;
- the issues reported in the Consolidated Non-Financial Statement.

The rolling update of the Sustainability Plan, planned for the second half of 2022 and in close coordination with the 2022-2025 Strategic Plan, will allow for a gradual refinement of the objectives, also responding to the increasingly intense regulatory requirements and innovations in this field.

In short, the Plan is an opportunity to enhance, affirm and reaffirm our being a Cooperative Banking Group, which interprets sustainability according to its own path, maintaining and improving its attention to the territory.

In 2021, the activities aimed at evolving the governance and organisational structure of Cassa Centrale Banca for the management of ESG issues in order to meet regulatory requirements and implement the overall ESG strategy also began. This was formalised in early 2022 and included, in particular, the establishment of an ESG Steering Committee and the activation of the ESG PMO function.

The partnership with Caritas Italiana

In light of the positive results achieved in 2021 following the extraordinary intervention of EUR 1 million approved at the end of 2020 by Cassa Centrale Banca, together with the Allitude Group companies, Claris Leasing and Assicura, to Caritas Italiana and 9 Caritas dioceses, at the end of 2021 Cassa Centrale Banca and Allitude disbursed a new total donation of EUR 1 million to Caritas Italiana to combat - and hopefully overcome - situations of hardship and vulnerability among adolescents and young people which have exacerbated by the continuation of the pandemic. The initiatives are centred in four main areas:

- school: teaching support (including distance learning), school club that organises extra-curricular activities for school students, scholarships for young people (including university students), access to electronic equipment;
- health: psychological support (including family support), health education, check-ups and early diagnosis, support to frail minors (with disabilities, learning disorders, etc.);
- social relations and culture: educational workshops (music, theatre, cooking, language), environmental responsibility courses, aggregation and socialisation activities, sports activities;
- training (for young adults): vocational training and qualification courses, job placement courses, curricular and extracurricular internships with work grants.

In implementation of the cooperation protocol signed with Cassa Centrale, Caritas Italiana therefore issued a call for 2022 for the presentation of specific projects by the Caritas dioceses in line with the above four areas.

The projects were selected and approved, and their implementation is currently underway.

The Group also signed up to the "UKRAINE 2022. SUPPORTING CHILDREN AND ADOLESCENTS" project, helping to support children and refugees through Caritas. The Parent Company made donations of EUR 500,000, with additional contributions from Allitude and Claris Leasing for a further EUR 100,000, as well as contributions from affiliated BCC/CR/RAIKA members, for a total of approximately EUR 1 million.

Consolidated non-financial statement

For more details on the Group's Sustainability, please refer to the Consolidated Non-Financial Statement, which Cassa Centrale Banca prepares on an annual basis pursuant to Article 5, paragraph 3 of Legislative Decree no. 254/2016. The document is published on the Cassa Centrale Banca website at www.cassacentrale.it in the "Investors" section.

Research and Development

The Cassa Centrale Group conducts research and development in line with its strategic objectives and the demands of the market. The Group's R&D has been described in several paragraphs of this report as part of the activities managed by the Departments of the Parent Company and its Subsidiaries.

Significant events occurred after the end of the half year

It should be noted that, after 30 June 2022 and until the date of approval by the Board of Directors of this half-yearly consolidated financial report, no events, facts or circumstances have occurred that led to a change in the data approved at that time, nor that they have had significant subsequent impacts on the Group's financial position and income statement.

The main events that occurred after the end of the first six months of the year are shown below.

Business combinations between Affiliated Banks

From 1 July 2022 the following business combination between Affiliated Banks took legal effect:

Cassa Rurale Val di Non - Banca di Credito Cooperativo – Cooperative Company and Cassa Rurale Rotaliana e Giovo - Banca di Credito Cooperativo - Cooperative Company new name Cassa Rurale Val di Non - Rotaliana e Giovo - Banca di Credito Cooperativo – Cooperative Company.

As such, the total number of Affiliated Banks decreased to 69.

Carige S.p.A. Cassa di Risparmio di Genova e Imperia

Following the approval by CONSOB on 6 July 2022 of the offer concerning the IPO of ordinary shares of Banca Carige, on 18 July 2022 the Cassa Centrale subscribed to the offer for its entire 5.916% shareholding at the fee of EUR 0.80 per ordinary share.

Moody's ratings action

On 9 August 2022, Moody's announced that it had changed the outlook of 14 Italian financial institutions, including Cassa Centrale Banca, from stable to negative, while confirming the ratings on the deposits, senior unsecured debt and issuer ratings of these institutions. According to Moody's, This rating action reflects concerns about the impact on business and consumer confidence resulting from uncertainty over government policy and the energy crisis, as well as a potential downgrade in the Italian government's creditworthiness and the knock-on effect of the downgrade of Italian government securities.

Business outlook

The first half of 2022 was heavily influenced by the outbreak of the conflict between Russia and Ukraine, which subsequently led to a series of consequences, the effects of which are largely yet to be fully understood.

In particular, the direct effects on the prices of energy commodities influenced an inflationary trend, which already signalled a rapid increase in prices globally in the second half of 2021. While initially considered a temporary situation, this trend currently represents one of the most important challenges facing central banks.

Indeed, persistent inflation is driving the world's main central banks to raise their key interest rates in an attempt to curb the inflationary trend and prevent its incorporation into the expectations of economic operators, with the risk of triggering a price-wage spiral.

Against this backdrop, the effects of the pandemic have taken a back seat but nonetheless continue to affect the economic climate in the background.

Given the challenging context, the entire banking sector will have to continue to assess the evolution of the situation very carefully and maintain a strong focus on credit quality, aiming to consolidate the results achieved in recent years in terms of asset quality.

The very duration of the conflict is now an unpredictable variable, but at the same time fundamental in determining the repercussions on the Italian and world economies. Consequently, a clearer quantification of the impacts will only be possible in the coming quarters.

The climate of continuing uncertainty has affected the dynamics of financial markets, slowing down household financial investments to the extent that liquidity investments in asset management instruments developed in a more subdued manner than in the previous quarters.

A lower contribution to profitability could come from payment and liquidity management services, also as a result of increased competitive pressure from non-banking operators and the digital transformation process. Within a context of potential weakness in traditional banking activity, improving operating efficiency, cost reduction and new business strategies are confirmed as the main levers for the recovery of profitability in the sector.

In the current economic and social context, the Group continues to focus its attention on strongly supporting the economic fabric of the reference regions, which are facing a crisis unlike any seen before, and on overseeing the overall risk profile.

Activities related to the Group's organisational and operational structure continued, with a renewed focus on investments in technology and human capital, aspects which are considered as fundamental enablers to the achievement of the objectives set out in the Group's new Strategic Plan.

Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

	ASSETS	30/06/2022	31/12/2021
10.	Cash and cash equivalents	738	895
20.	Financial assets designated at fair value through profit or loss	538	593
	a) financial assets held for trading	7	6
	b) financial assets designated at fair value	1	1
	c) other financial assets mandatorily measured at fair value	530	586
30.	Financial assets designated at fair value through other comprehensive income	11,487	11,036
40.	Financial assets measured at amortised cost	79,169	75,250
	a) loans to banks	4,573	4,055
	b) loans to customers	74,596	71,195
50.	Hedging derivatives	86	6
60.	Fair value change of financial assets in hedged portfolios	(78)	17
70.	Equity investments	71	64
90.	Tangible assets	1,240	1,245
100.	Intangible assets	78	83
	of which:		
	- goodwill	28	28
110.	Tax assets	795	778
	a) current	129	166
	b) deferred	666	612
120.	Non-current assets and groups of assets held for disposal	1	3
130.	Other assets	1,704	1,180
	Total assets	**95,829**	**91,150**

	LIABILITIES AND EQUITY	30/06/2022	31/12/2021
10.	Financial liabilities measured at amortised cost	84,828	81,734
	a) due to banks	16,879	16,611
	b) due to customers	64,890	61,388
	c) debt securities in issue	3,059	3,735
20.	Financial liabilities held for trading	4	3
30.	Financial liabilities designated at fair value	1	1
40.	Hedging derivatives	2	29
60.	Tax liabilities	55	58
	a) current	25	9
	b) deferred	30	49
80.	Other liabilities	3,264	1,876
90.	Provision for severance indemnity	98	118
100.	Provisions for risks and charges	368	355
	a) commitments and guarantees given	137	137
	b) post-employment benefits	-	-
	c) other provisions for risks and charges	231	218
120.	Valuation reserves	(124)	43
140.	Equity instruments	6	6
150.	Reserves	6,402	6,114
160.	Share premium	73	73
170.	Share capital	1,274	1,272
180.	Own shares (-)	(867)	(866)
190.	Minority interests (+/-)	-	1
200.	Profit (loss) for the year (+/-)	445	333
	Total liabilities and equity	**95,829**	**91,150**

Consolidated Income Statement

	ITEMS	30/06/2022	30/06/2021
10.	Interest income and similar revenues	1,013	741
	of which: interest income calculated with the effective interest method	1,008	736
20.	Interest expenses and similar charges	(70)	(76)
30.	**Interest margin**	**943**	**665**
40.	Fees and commissions income	418	380
50.	Fees and commissions expenses	(57)	(43)
60.	**Net fees and commissions**	**361**	**337**
70.	Dividend and similar income	3	2
80.	Net result from trading	9	4
90.	Net result from hedging	4	1
100.	Profit (loss) from disposal/repurchase of:	71	160
	a) financial assets measured at amortised cost	55	139
	b) financial assets designated at fair value through other comprehensive income	16	21
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(36)	10
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	(36)	10
120.	**Net interest and other banking income**	**1,355**	**1,179**
130.	Net value adjustments/write-backs due to credit risk relative to:	(62)	(113)
	a) financial assets measured at amortised cost	(61)	(113)
	b) financial assets designated at fair value through other comprehensive income	(1)	-
150.	**Net income from financial activities**	**1,293**	**1,066**

	ITEMS	30/06/2022	30/06/2021
180.	**Net income from financial and insurance activities**	**1,293**	**1,066**
190.	Administrative expenses:	(806)	(765)
	a) staff expenses	(436)	(435)
	b) other administrative expenses	(370)	(330)
200.	Net allocations to provisions for risks and charges	(7)	(5)
	a) commitments and guarantees given	(1)	-
	b) other net allocations	(6)	(5)
210.	Net value adjustments/write-backs to tangible assets	(52)	(52)
220.	Net value adjustments/write-backs to intangible assets	(9)	(8)
230.	Other operating expenses/income	97	111
240.	**Operating costs**	**(777)**	**(719)**
250.	Profit (loss) on equity investments	1	(1)
290.	**Profit (loss) before tax from current operating activities**	**517**	**346**
300.	Income taxes for the year on current operating activities	(71)	(40)
310.	**Profit (loss) after tax from current operating activities**	**446**	**306**
330.	**Profit (loss) for the year**	**446**	**306**
340.	Profit (loss) for the year for minority interests	(1)	1
350.	**Profit (loss) for the Parent Company**	**445**	**307**

Statement of consolidated comprehensive income

	ITEMS	30/06/2022	30/06/2021
10.	**Profit (loss) for the year**	**446**	**307**
	Other post-tax components of income without reversal to the income statement	**33**	**(22)**
20.	Equities measured at fair value through other comprehensive income	21	(27)
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	12	5
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**(200)**	**(17)**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non designated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	(201)	(17)
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quota of reserves from the valuation of shareholdings measured with the equity method	1	-
170.	**Total other post-tax components of income**	**(167)**	**(39)**
180.	**Comprehensive income (Item 10+170)**	**279**	**268**
190.	**Consolidated comprehensive income pertaining to minority interests**	**1**	**(1)**
200.	**Consolidated comprehensive income pertaining to the Parent Company**	**278**	**269**

Statement of changes in consolidated equity as at 30/06/2022

	Balance as at 31/12/21	Adjustment to opening balances	Balance as at 01/01/22	Allocation of result from previous year		Changes during the year										Group equity as at 30/06/22	Equity pertaining to minority interests as at 30/06/22
							Equity transactions								Comprehensive income for 2022		
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments				
Share capital:																	
a) ordinary shares	1,264	X	1,264	-	X	X	3	(1)	X	X	X	X	-	X	1,266	-	
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-	
Share premium	73	X	73	-	X	-	-	X	X	X	X	X	-	X	73	-	
Reserves:	-																
a) of profit	6,106	-	6,106	294	X	(6)	-	-	-	X	X	X	-	X	6,394	(1)	
b) other	8	-	8	-	X	-	-	X	-	X	-	-	-	X	8	-	
Valuation reserves	43	-	43	X	X	-	X	X	X	X	X	X	-	(167)	(124)	-	
Equity instruments	6	X	6	X	X	X	X	X	X	-	X	X	-	X	6	-	
Own shares	(866)	X	(866)	X	X	X	-	(1)	X	X	X	X	X	X	(867)	-	
Profit (loss) for the year	333	-	333	(294)	(39)	X	X	X	X	X	X	X	X	445	445	1	
Group equity	**6,975**	**-**	**6,975**	**-**	**(39)**	**(6)**	**3**	**(2)**	**-**	**-**	**-**	**-**	**-**	**278**	**7,209**	**-**	
Equity pertaining to minority interests	**1**	**-**	**1**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	

Statement of changes in consolidated equity as at 30/06/2021

	Balance as at 31/12/20	Adjustment to opening balances	Balance as at 01/01/21	Allocation of result from previous year		Changes during the year										Group equity as at 30/06/21	Equity pertaining to minority interests as at 30/06/21
							Equity transactions										
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	Comprehensive income for 2021		
Share capital:																
a) ordinary shares	1,266	X	1,266	-	X	X	3	(2)	X	X	X	X	-	X	1,267	4
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	75	X	75	-	X	(3)	-	X	X	X	X	X	-	X	72	-
Reserves:	-															
a) profit	5,902	-	5,902	210	X	3	-	-	-	X	X	X	-	X	6,115	1
b) other	13	-	13	-	X	(1)	-	X	-	X	-	-	-	X	12	-
Valuation reserves	72	-	72	X	X	-	X	X	X	X	X	X	-	(38)	34	-
Equity instruments	6	X	6	X	X	X	X	X	X	-	X	X	-	X	6	-
Own shares	(866)	X	(866)	X	X	X	-	-	X	X	X	X	X	X	(866)	-
Profit (loss) for the year	245	-	245	(210)	(35)	X	X	X	X	X	X	X	X	307	307	(1)
Group equity	**6,721**	**-**	**6,721**	**-**	**(35)**	**(1)**	**3**	**(2)**	**-**	**-**	**-**	**-**	**-**	**269**	**6,955**	**-**
Equity pertaining to minority interests	**1**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**(1)**	**-**	**4**

Consolidated cash flow statement

Indirect method

	Amount	
	30/06/2022	**30/06/2021**
A. OPERATING ACTIVITIES		
1. Operations	**498**	**523**
- income for the year (+/-)	446	306
- gains/losses on financial assets held for trading and other assets/liabilities measured at fair value through profit or loss (-/+)	34	-
- gains/losses on hedging activities (-/+)	(4)	(1)
- net value adjustments/write-backs due to credit risk (+/-)	62	113
- net value adjustments/write-backs to tangible and intangible assets (+/-)	61	60
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	7	5
- uncollected net premiums (-)	-	-
- other uncollected insurance revenue/charges (-/+)	-	-
- taxes, duties and tax credits not settled (+/-)	71	40
- net value adjustments/write-backs from discontinued operations net of tax (-/+)	-	-
- other adjustments (+/-)	(179)	-
2. Cash flows generated/used by the financial assets	**(4,922)**	**(4,688)**
- financial assets held for trading	-	2
- financial assets designated at fair value	-	-
- other assets obligatorily measured at fair value	21	12
- financial assets designated at fair value through other comprehensive income	(631)	(800)
- financial assets measured at amortised cost	(3,805)	(3,852)
- other assets	(507)	(50)
3. Cash flows generated/used by the financial liabilities	**4,354**	**4,230**
- financial liabilities measured at amortised cost	3,094	3,349
- financial liabilities held for trading	1	(5)
- financial liabilities designated at fair value	-	(14)
- other liabilities	1,259	900
Net cash flow generated/used by operating activities	**(70)**	**65**

	Amount	
	30/06/2022	30/06/2021
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**14**	**13**
- sales of equity investments	-	-
- dividends collected on equity investments	3	2
- sales of tangible assets	11	11
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used by	**(62)**	**(62)**
- equity investment acquisitions	-	-
- tangible asset acquisitions	(58)	(57)
- intangible asset acquisitions	(4)	(5)
- purchases of subsidiaries and business units	-	-
Net cash flow generated/used by investment activities	**(48)**	**(49)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(39)	(35)
- sale/purchase of third parties' controlling interests	-	-
Net cash flow generated/used by funding activities	**(39)**	**(35)**
NET CASH FLOWS GENERATED/USED DURING THE YEAR	**(157)**	**(19)**

KEY:

(+) generated

(-) absorbed

Reconciliation

ITEMS	Amount	
	30/06/2022	30/06/2021
Cash and cash equivalents at the beginning of the year	895	614
Total net cash flows generated/used during the year	(157)	(19)
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	738	595

Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group

CONSOLIDATED EXPLANATORY NOTES

PART A - Accounting policies

A.1 - General Section

Section 1 – Statement of compliance with international accounting standards

Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as the "Cassa Centrale Group" or the "Group") is required to prepare its condensed consolidated half-yearly financial statements in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission under the procedure set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in force at the reference date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), limited to those applied for the preparation of the condensed consolidated half-yearly financial statements as at 30 June 2022.

The consolidated half-yearly financial report consists of the condensed consolidated financial statements and the report on consolidated operations.

The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The seventh update, issued on 29 October 2021 and supplemented by the communication of 21 December 2021, called "Update of the additions to the provisions of Circular 262. Bank financial statements: layouts and rules of preparation" concerning the impacts of Covid-19 and measures to support the economy.

Please note that the seventh update to Bank of Italy Circular no. 262 of 2005 introduced certain changes to financial disclosures. Therefore, where necessary, the comparison period - with reference to the items on the Income Statement only - was restated in order to improve the comparison of the items in the accounts.

In interpreting and applying the new international accounting standards, reference was also made to the "Framework for the Preparation and Presentation of Financial Statements", i.e. the Systematic Framework for the preparation and presentation of financial statements (known as Conceptual Framework or the Framework), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Group uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the financial statements give a true and fair view of the Group's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases. Finally, the report considered the communications issued by the Supervisory Bodies (Bank of Italy, CONSOB, ESMA, EBA, ECB) which provide recommendations on the information to be included in the half-yearly consolidated financial report, on priority topics, or on the accounting treatment of certain operations, where applicable.

Section 2 – General preparation criteria

The condensed consolidated half-yearly financial statements of the Cassa Centrale Group as at 30 June 2022 include the Parent Company Cassa Centrale Banca and the direct and indirect subsidiaries: for further details on the scope of consolidation, please refer to "Section 3 – Scope and methods of consolidation" of this Part A.

The condensed consolidated half-yearly financial statements consist of: i) the consolidated balance sheet; ii) the consolidated income statement; iii) the statement of consolidated comprehensive income; iv) statement of changes in consolidated equity; v) the consolidated financial statements; vi) the explanatory notes.

The condensed consolidated half-yearly financial statements are produced in line with the provisions of IAS 34 "Interim Financial Reporting" and, in view of the option provided under paragraph 10 of said reporting standard, are presented in a condensed format and do not contain the complete disclosure required for the annual financial statements, and must be read jointly with the consolidated financial statements of the Cassa Centrale Group prepared for the year ended 31 December 2021.

The explanatory notes contained in the condensed consolidated half-yearly financial statements were produced making reference to the structure of the explanatory notes to the consolidated financial statements as provided by Bank of Italy Circular no. 262 of 22 December 2005, as amended (hereinafter also "Circular 262/2005"), but, as they refer to the condensed half-yearly financial statements, are more limited in scope. Moreover, for ease of consultation the numbering provided for in the aforementioned Circular 262/2005 has been maintained, even though certain parts, sections or tables may be omitted since, as mentioned above, this document is produced in a condensed format.

The tables of the consolidated financial statements provide accounting data as at 30 June 2022 and comparative data relative to the corresponding period of the previous year, with the exception of the Balance Sheet which is compared with the most recently approved consolidated financial statements as at 31 December 2021.

In accordance with the provisions of art. 5 of Italian Legislative Decree no. 38/2005, the condensed consolidated half-yearly financial statements are prepared using the Euro as the accounting currency. The consolidated balance sheet and the consolidated income statement, as well as the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and the Explanatory Notes have been prepared in millions of euros. Any differences found between the amounts in the explanatory notes and the condensed consolidated half-yearly financial statements are attributable to rounding up.

The consolidated balance sheet and the consolidated income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the consolidated income statement and the related section of the Explanatory Notes, revenues are recorded without sign, while the costs are indicated in brackets. In the statement of consolidated comprehensive income, the negative amounts are stated in brackets.

These condensed consolidated half-yearly financial statements are subject to a limited audit by Deloitte & Touche S.p.A.

The condensed consolidated half-yearly financial statements have been prepared with clarity and give a true and fair view of the financial position, economic result for the reporting period, changes in Group equity and generated cash flows.

The condensed consolidated half-yearly financial statements are prepared on the basis of the going concern assumption of the Cassa Centrale Group, as the directors reasonably expect that the Group will continue operating in the foreseeable future. The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Group and its easy access to financial resources may not be sufficient in the current context. The directors believe that the risks and uncertainties to which the Group may be subject in the flow of its operations, also considering the effects of the Covid-19 pandemic and the potential geopolitical risks related to the Russia/Ukraine conflict, are not significant and are therefore such as to cast doubt on the company's ability to continue as a going concern.

Estimation processes are based on past experience as well as other factors considered reasonable in the circumstances, and aim to estimate the carrying amount of assets and liabilities that are not readily apparent from other sources. In particular, estimation processes were adopted that support the carrying amount of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis.

The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of expected losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments, with particular reference to financial assets not listed on active markets;
- the assessment of congruity in the value of goodwill and other intangible assets;
- the valuation of minority equity investments classified under item 30 "Financial assets measured at fair value through other comprehensive income";
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the consolidated financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the consolidated financial statements. For further details on the breakdown and relative carrying amounts of the specific statement captions affected by said estimates, see the relevant sections of these Explanatory Notes. The processes adopted support the carrying amounts on the date of preparing the consolidated financial statements. The measurement process was particularly complex in consideration of the persisting uncertainty of the macroeconomic and market context, characterised by the considerable volatility of the financial parameters determined for the measurement (including an inflationary trend which has rapidly accelerated in the first six months of 2022) as well as indicators of impairment of the credit quality that remain high. These parameters and the information used to check the mentioned values are significantly affected by these factors which are out of the Group's control and may undergo rapid and unforeseeable changes.

The condensed consolidated half-yearly financial statements also make reference to the general preparation criteria listed below, where applicable:

- principle of clarity, truth, fairness and completeness in the presentation of the balance sheet, income statement and cash flows (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of economic substance over legal form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Ultimately, with reference to the main implications related to the method of application of the international accounting standards (in particular IFRS 9) in the context of the Covid-19 pandemic and the Russia-Ukraine conflict, please refer to the specific paragraph included in "A.1 - General Section, Section 5 - Other aspects" of this Part A.

Please note that the condensed consolidated financial statements as at 30 June 2022 were not characterised by any changes in the estimation criteria already applied for the preparation of the Annual Consolidated Financial Statements as at 31 December 2021 except for what is shown in the section "Other Aspects" in point d) in relation to the measurement of loans to customers in the context of the Covid-19 pandemic and the Russia-Ukraine conflict.

Section 3 – Scope and methods of consolidation

The condensed consolidated half-yearly financial statements as at 30 June 2022 refer to a scope of consolidation better defined below. In this regard, the provisions of IFRS 10, 11, 12 and IFRS 3 have been taken into account, including in the scope of consolidation - as specifically provided for by IAS/IFRS - including companies operating in sectors of activity different from that of the Parent Company. Similarly, structured companies are also included if their control requirements are met, regardless of their mere shareholding.

Moreover, with regard to the consolidation of Cooperative Banking Groups, it should be pointed out that Law no. 145 of 30 December 2018 "State Budget for the 2019 financial year and multi-annual budget for the three-year period 2019-2021" (2019 Budget Law), in transposing into Italian law, Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC on the treatment of central bodies for the purposes of consolidated accounts, introduced the obligation to prepare consolidated financial statements for the whole of the central body and its affiliates (known as "single consolidating entity"). The adoption of this EU provision introduced, *inter alia*, the following two regulatory changes:

a. "for the purposes of preparing the consolidated financial statements, the Parent Company and the banks belonging to the cooperative banking group constitute a single consolidating entity";
b. "in preparing the consolidated financial statements, the accounting items relating to the Parent Company and the Affiliated Banks are recorded on a consistent basis".

In this regard, it seems reasonable to believe that the Italian legislator, as part of the amendments introduced by the 2019 Budget Law, has taken into account the interpretation provided by the European Commission in 2006 according to which, even in the case of IAS adopters, the obligation to prepare consolidated financial statements must be assessed in accordance with the provisions of the national transposition of European directives.

In light of the interpretation of the European Commission and considering that, as a result of the transposition into Italian law of Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC, in the case of Cooperative Banking Groups, the entity required to prepare consolidated financial statements (reporting entity) is represented by the aggregation of the central body and the Affiliated Banks (known as "single consolidating entity"), it is considered that the rules of IFRS 10 "Consolidated Financial Statements" apply only for the purposes of identifying the scope of consolidation of the reporting entity; i.e. only for the purposes of assessing the existence of situations of control between the entities forming the reporting entity and third parties (e.g. subsidiaries of the Parent Company or individual Affiliated Banks).

Recognition of the reporting entity nature within the sole consolidating entity also implies that IFRS 3 would apply only to the accounting of business combinations involving the latter and third parties (e.g. in the case of acquisition of new subsidiaries).

The provision of the Testo Unico Bancario (Consolidated Banking Act - TUB), according to which the Cohesion Contract ensures the existence of a situation of control as defined by international accounting standards, must also be interpreted in light of the subsequent amendments made to national accounting regulations by the 2019 Budget Law.

In this context, on the one hand, the 2019 Budget Law defines the procedures with which to comply with the consolidation obligations in the case of central bodies, on the other hand, the TUB's provisions are important in order to circumscribe the Central Body's governance powers over its affiliates.

The aforementioned approach is consistent, among other things, with the approach already adopted in other European jurisdictions with regard to the manner in which central bodies and their affiliated entities are consolidated, as for example in France.

That being said, in line with the above, the preparation of the condensed consolidated half-yearly financial statements was carried out through a process of aggregation of:

- financial statements of the Parent Company Cassa Centrale Banca and its subsidiaries/associates over which it exercises control on the basis of the majority of voting rights and/or the connection on the basis of significant influence;
- financial statements of the Affiliated Banks and their subsidiaries/associates over which the Parent Company exercises direction and coordination on the basis of the Cohesion Contract.

This process was followed by a subsequent phase of reclassification to own shares of the same shares of Cassa Centrale Banca held by the Affiliated Banks and the elimination of the asset and economic balances attributable to intra-group transactions.

Subsidiaries

Without prejudice to that stated in the previous paragraph regarding the peculiarities of the consolidation method of the Cooperative Banking Group, the scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 Consolidated Financial Statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, and is realised when an investor simultaneously:

- has the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- has the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

The subsidiaries are consolidated from the date on which the Group acquires control, according to the 'acquisition method' - IFRS 3, and cease to be consolidated when control is no longer held.

The existence of control is subject to a continuous valuation process if there are events and circumstances that indicate the presence of a change in one or more of the three elements forming the control requirement, presented in the following paragraph "Significant valuations and assumptions for determining the scope of consolidation".

The full consolidation consists of the 'line-by-line' acquisition of the aggregates of the balance sheet and the income statement of the entities controlled, as contra-entry to the cancellation of the investment held by the Group in the entity and the recognition, in the appropriate items, of the shares held by minority interests.

The differences emerging from this offsetting were subject to the provisions of IFRS 3; if they were allocated to the appropriate items, they are subject to the accounting treatment of the reference standard; if they were not specifically allocated, they are booked to goodwill under intangible assets and subject to impairment testing. Negative differences (so-called bargain purchase or badwill) are recognised in the consolidated income statement.

In addition, for entities controlled through an investment relationship, the share of equity pertaining to minority interests, the result for the year and comprehensive income is represented separately in the respective consolidated financial statements (under consolidated balance sheet liability item 190. Minority interests, 340. Profit (loss) for the year for minority interests in the consolidated income statement and 190. Consolidated comprehensive income pertaining to minority interests in the statement of consolidated comprehensive income).

Costs and revenues relating to the controlled entity are included in the Consolidated Financial Statements from the date of acquisition of control. The costs and revenues of the subsidiary transferred are included in the consolidated income statement until the transfer date; the difference between the consideration of the transfer and the carrying amount of the net assets of the same is recognised in the consolidated income statement item 280. Profit (loss) from disposal of investments. In the presence of a partial disposal of the controlled entity which does not determine the loss of control, the difference between the consideration of the transfer and the associated carrying amount is booked as a contra-entry to equity.

Controlling interests held for sale are consolidated on a line-by-line basis and stated separately in the Financial Statements as a group held for disposal valued as at the reporting date at the lower of the carrying amount and the fair value less disposal costs, based on the treatment provided for in IFRS 5.

Controlling shareholdings with total assets of less than EUR 10 million are accounted for using the equity method, as line-by-line consolidation would require a considerable effort in terms of production, collection and consolidation of data, against negligible benefits in relation to financial reporting. This option, however, is expressly provided for in Article 19 of Regulation (EU) no. 575/2013 (CRR) on consolidation methods for the purposes of prudential supervision.

In special purpose vehicles, the circumstances that need to be examined for the purposes of any existence of a situation of control pursuant to IFRS 10 are:

- the involvement/role of Group companies in the structuring of the transaction (originator/investor/servicer/facility provider);
- the subscription of a large portion of Asset Backed Securities (ABS) issued by the special purpose vehicle on the part of Group companies;
- the scope/objective of the transaction.

During the first six months of 2022, the following business combination between subsidiaries took place:

- from 1 April 2022 and effective from 1 January 2022, the merger by incorporation of Cassa Rurale Alta Vallagarina e Lizzana - Banca di Credito Cooperativo - Società Cooperativa in Cassa di Trento, Lavis, Mezzocorona e Valle di Cembra - Banca di Credito Cooperativo - Società Cooperativa.

The full scope of the subsidiaries that are part of the Cassa Centrale Group as at 30 June 2022 is shown below.

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS						
A.1 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS - COHESION CONTRACT						
CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - COOPERATIVE COMPANY	Sabaudia (LT)	Sabaudia (LT)	4			
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Altamura (BA)	Altamura (BA)	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - COOPERATIVE COMPANY	Mazzarino (CL)	Mazzarino (CL)	4			
CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - LIMITED LIABILITY COOPERATIVE COMPANY	Catania	Catania	4			
BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Rimini	Rimini	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - COOPERATIVE COMPANY	Castel Gandolfo (Rome)	Rocca Priora (Rome)	4			
CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ala (TN)	Ala (TN)	4			
CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Arco (TN)	Arco (TN)	4			
CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ledro (TN)	Ledro (TN)	4			
LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	Tione di Trento (TN)	Tione di Trento (TN)	4			
CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo Valsugana (TN)	Borgo Valsugana (TN)	4			
CASSA RURALE ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Mezzolombardo (TN)	Mezzolombardo (TN)	4			
CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Moena (TN)	Moena (TN)	4			
CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Malè (TN)	Malè (TN)	4			
CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Pergine Valsugana (TN)	Pergine Valsugana (TN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cavalese (TN)	Cavalese (TN)	4			
CASSA RURALE RENON - COOPERATIVE COMPANY	Collalbo RENON (BZ)	Collalbo RENON (BZ)	4			
CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Fondo (TN)	Revò (TN)	4			
CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - COOPERATIVE COMPANY	S. Martino in Passiria (BZ)	S. Martino in Passiria (BZ)	4			
CREDITO COOPERATIVO CENTRO CALABRIA - COOPERATIVE COMPANY	Cropani Marina (CZ)	Cropani Marina (CZ)	4			
CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cles (TN)	Cles (TN)	4			
CASSA DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETA' COOPERATIVA	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - COOPERATIVE COMPANY	Alberobello (BA)	Alberobello (BA)	4			
CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Leno (BS)	Leno (BS)	4			
BANCA DI CREDITO COOPERATIVO DI AQUARA - COOPERATIVE COMPANY	Aquara (SA)	Aquara (SA)	4			
BANCA DI CREDITO COOPERATIVO DI ANAGNI - COOPERATIVE COMPANY	Anagni (FR)	Anagni (FR)	4			
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO - COOPERATIVE COMPANY	Verbicaro (CS)	Verbicaro (CS)	4			
BANCA DI CREDITO COOPERATIVO DI BARLASSINA - COOPERATIVE COMPANY	Barlassina (MB)	Barlassina (MB)	4			
BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - COOPERATIVE COMPANY	Bene Vagienna (CN)	Bene Vagienna (CN)	4			
CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo San Giacomo (BS)	Borgo San Giacomo (BS)	4			
CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - COOPERATIVE COMPANY	Boves (CN)	Boves (CN)	4			
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Caraglio (CN)	Caraglio (CN)	4			
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - COOPERATIVE COMPANY	Cassano delle Murge (BA)	Cassano delle Murge (BA)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	Donoratico (LI)	Castagneto Carducci (LI)	4			
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	Castel Bolognese (RA)	Castel Bolognese (RA)	4			
BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	San Lazzaro di Savena (BO)	San Lazzaro di Savena (BO)	4			
BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	Rovereto di Cherasco (CN)	Rovereto di Cherasco (CN)	4			
BANCO MARCHIGIANO CREDITO COOPERATIVO	Civitanova Marche (MC)	Civitanova Marche (MC)	4			
BANCA DI CREDITO COOPERATIVO DI CONVERSANO - COOPERATIVE COMPANY	Conversano (BA)	Conversano (BA)	4			
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Corporeno (FE)	Corporeno (FE)	4			
CORTINABANCA – CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cortina d'Ampezzo (BL)	Cortina d'Ampezzo (BL)	4			
BANCA DI CREDITO COOPERATIVO DI FLUMERI - COOPERATIVE COMPANY	Flumeri (AV)	Flumeri (AV)	4			
BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - COOPERATIVE COMPANY	Aosta	Gressan (AO)	4			
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Longare (VI)	Longare (VI)	4			
BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - COOPERATIVE COMPANY	Locorotondo (BA)	Locorotondo (BA)	4			
CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	Gorizia (GO)	Gorizia (GO)	4			
BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Udine	Udine	4			
PRIMACASSA – CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Martignacco (UD)	Martignacco (UD)	4			
BVR BANCA – BANCHE VENETE RIUNITE CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - COOPERATIVE COMPANY	Schio (VI)	Schio (VI)	4			
BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	Nave (BS)	Brescia	4			
BANCA CENTRO LAZIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Palestrina (Rome)	Palestrina (Rome)	4			
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Brescia	Brescia	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - COOPERATIVE COMPANY	Pianfei (CN)	Pianfei (CN)	4			
BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - COOPERATIVE COMPANY	Roscigno (SA)	Roscigno (SA)	4			
BANCA DI CREDITO COOPERATIVO LAUDENSE - LODI - COOPERATIVE COMPANY	Lodi	Lodi	4			
FRIULOVEST BANCA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	San Giorgio della Richinvelda (PN)	San Giorgio della Richinvelda (PN)	4			
BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - COOPERATIVE COMPANY	San Giovanni Rotondo (FG)	San Giovanni Rotondo (FG)	4			
BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - COOPERATIVE COMPANY	San Marzano di San Giuseppe (TA)	San Marzano di San Giuseppe (TA)	4			
BANCA DI CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - COOPERATIVE COMPANY	Carmagnola (TO)	Sant'Albano Stura (CN)	4			
BANCA DI CREDITO COOPERATIVO DI SARSINA - COOPERATIVE COMPANY	Sarsina (FC)	Sarsina (FC)	4			
ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	Bellaria-Igea Marina (RN)	Rubicone (FC)	4			
BANCA DI CREDITO COOPERATIVO DELL'UMBRIA E DEL VELINO - COOPERATIVE COMPANY	Spello (PG)	Spello (PG)	4			
BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Bologna	Bologna	4			
BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Tarzo (TV)	Tarzo (TV)	4			
ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	Opicina (TS)	Opicina (TS)	4			
BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	Viterbo	Viterbo	4			
BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - COOPERATIVE COMPANY	Regalbuto (EN)	Regalbuto (EN)	4			
BANCA DI CREDITO COOPERATIVO ABRUZZI E MOLISE - COOPERATIVE COMPANY	Atessa (CH)	Atessa (CH)	4			
BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Adria (RO)	Adria (RO)	4			
BANCA SICANA CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - COOPERATIVE COMPANY	Caltanissetta	Caltanissetta	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A.2 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS OTHER THAN COHESION CONTRACT						
NORD EST ASSET MANAGEMENT SA	Luxembourg	Luxembourg	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
ALLITUDE S.p.A.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	96.70	96.70
				OTHER MINORITY INTERESTS	3.01	3.01
				Total	99.71	99.71
ASSICURA AGENZIA S.r.l.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
ASSICURA BROKER S.r.l.	Trento	Trento	1	ASSICURA AGENZIA S.r.l.	100.00	100.00
CLARIS LEASING S.p.A.	Treviso	Treviso	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
CENTRALE SOLUZIONI IMMOBILIARI S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
BANCA DI BOLOGNA REAL ESTATE S.p.A.	Bologna	Bologna	1	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
IMMOBILIARE VILLA SECCAMANI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
PRESTIPAY S.p.A.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	60.00	60.00
A.3 ENTITIES CONTROLLED BUT CONSOLIDATED AT EQUITY FOR MATERIALITY LIMITS						
CENTRALE CREDIT & REAL ESTATE SOLUTIONS S.R.L. - COMPANIES IN LIQUIDATION	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
AZIENDA AGRICOLA ANTONIANA S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
BENACO GESTIONI IMMOBILIARI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CA' DEL LUPO S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
AGORA' S.r.l.	Leno (BS)	Narbolia (OR)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
TAVERNOLE IDROELETTRICA S.r.l.	Tavernole sul Mella (BS)	Tavernole sul Mella (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	55.00	55.00
BTV GESTIONI S.r.l.	Brescia	Brescia	1	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CENTRALE CASA S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
IMMOBILIARE BCC DI BRESCIA S.r.l.	Nave (BS)	Nave (BS)	1	BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	100.00	100.00

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
RAIFFEISEN IMMOBILIEN S.r.l.	Renon (BZ)	Renon (BZ)	1	CASSA RURALE RENON - COOPERATIVE COMPANY	100.00	100.00
VERDEBLU IMMOBILIARE S.r.l.	Cherasco (CN)	Cherasco (CN)	1	BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	100.00	100.00
CASSA RURALE ALTA VALSUGANA SOLUZIONI IMMOBILIARI S.r.l.	Pergine Valsugana (TN)	Pergine Valsugana (TN)	1	CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
QUADRIFOGLIO 2018 S.r.l.	Castenaso (BO)	Castenaso (BO)	1	BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	100.00	100.00
SOCIETÀ AGRICOLA TERRE DELLA ROCCA S.r.l.	Bologna	Bologna	1	BANCA DI BOLOGNA REAL ESTATE	100.00	100.00
ASSICURA S.r.l.	Udine	Udine	1	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	22.80	22.80
				PRIMACASSA – CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	19.68	19.68
				CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	14.73	14.73
				ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	11.35	11.35
				FRIULOVEST BANCA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	9.07	9.07
				Total	77.63	77.63
CLARIS RENT S.p.A.	Treviso	Treviso	1	CLARIS LEASING S.p.A.	100.00	100.00
CENTRALE TRADING S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	42.50	42.50
				ALLITUDE S.p.A.	10.00	10.00
				Total	52.50	52.50
DOMINATO LEONENSE S.r.l.	Milan	Milan	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	0.00	0.00
FONDO LEONIDA	Verona	Verona	4	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	0.00	0.00

*Relationship type:

1 = majority of voting rights in the ordinary shareholders' meeting

2 = dominant influence in the ordinary shareholders' meeting

3 = agreements with other shareholders

4 = other forms of control

5 = unitary management pursuant to Article 39, paragraph 1, of "Legislative Decree no. 136/2015"

6 = unitary management pursuant to Article 39, paragraph 2, of "Legislative Decree no. 136/2015"

Structured entities

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

At the end of the reporting period, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) using the equity method because it is below the aforementioned materiality limit, by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

Associates

An associate is a company in which the investing company has significant influence and which is not a subsidiary or part of a joint venture. Significant influence is presumed when the investing company holds, directly or indirectly, at least 20% of the capital of another company. Further indicators of significant influence are as follows:

- representation on the company's governance body;
- participation in the process of defining policies, including therein participation in decisions relating to dividends or other profit distributions;
- the existence of significant transactions between the investor and the investee company;
- the exchange of managerial personnel;
- provision of essential technical information.

Equity investments in associates are consolidated according to the equity method. The equity method provides for the initial recognition of the investment at cost and its subsequent value adjustment based on the share of the investee company's equity. The equity investment in associates includes goodwill (net of any impairment) paid for the acquisition. Participation in the post-acquisition profits and losses of associates is booked to the income statement under item 250. Profit (loss) on equity investments.

Any distribution of dividends is used to reduce the carrying amount of the equity investment.

If the interest in the losses of an associate is equal to or exceeds the carrying amount of the investee, no further losses are recognised, unless specific obligations have been undertaken in favour of the associate or payments have been made to said entity.

The valuation reserves of the associates are shown separately in the Statement of Consolidated Comprehensive Income.

The full scope of the investments in associates belonging to the Cassa Centrale Group as at 30 June 2022 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.	Trento	Trento	4	CASSA DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETA' COOPERATIVA	8.49	8.49
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.22	7.22
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.18	7.18
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	4.08	4.08
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.27	3.27
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.14	3.14
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.96	2.96
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	5.17	5.17
				Total	47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	13.92	13.92
				CASSA DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETA' COOPERATIVA	7.89	7.89
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.80	5.80

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.10	5.10
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.71	3.71
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	6.96	6.96
				Total	47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
				Total	30.37	30.37
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	19.50	19.50
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
				Total	29.17	29.17

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
SENIO ENERGIA S.r.l. IN LIQUIDATION	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	24.76	24.76
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	24.51	24.51
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00

* Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of Relationship.

Jointly controlled companies

A joint arrangement is a contractual agreement in which two or more counterparties have joint control.

Joint control is the sharing, on a contractual basis, of control of an agreement, which exists solely when the unanimous consent of all parties that share control is required for decisions relating to significant assets. According to IFRS 11, joint arrangements must be classified as joint operations or joint ventures based on the contractual rights and obligations held by the Group.

A joint operation is a joint arrangement in which the parties have rights over the assets and obligations with respect to the liabilities of the agreement. A joint venture is a joint arrangement in which the parties have rights over the net assets of the agreement. These equity investments are measured according to the equity method.

The full scope of the investments in jointly controlled companies forming part of the Cassa Centrale Group as at 30 June 2022 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of Relationship.

Significant valuations and assumptions for determining the scope of consolidation

The scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 Consolidated Financial Statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, including structured entities when the conditions are met, and is realised when an investor simultaneously has:

- the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

Therefore, the Cassa Centrale Group consolidates all types of entities when all three aspects of control are present.

Generally, when an entity is directed through voting rights, control derives from holding more than half of the voting rights.

In other cases, determination of the scope of consolidation calls for consideration of all factors and circumstances that give the investor the practical ability to unilaterally manage the relevant activities of the entity (de facto control). To this end, it is necessary to consider a combination of factors, such as, merely by way of an example:

- the scope and design of the entity;
- the identification of the relevant activities and how they are managed;
- any right held through contractual agreements which confer the power to govern the relevant activities, such as the power to determine the financial and operating policies of the entity, the power to exercise the majority of voting rights in the decision-making body or the power to appoint or remove the majority of the body with decision-making functions;
- any potential voting rights exercisable and considered substantial;
- the involvement in the entity in the role of agent or principal;
- the nature and the dispersion of any rights held by other investors.

With reference to the Group's situation at the date of these condensed consolidated half-yearly financial statements, all companies in which the majority of voting rights in the ordinary shareholders' meeting are held are considered wholly-owned subsidiaries, given that no evidence has been highlighted that the other investors have the practical ability to direct the relevant activities.

For companies in which half or less of voting rights are held, at the date of these condensed consolidated half-yearly financial statements, no agreements, statutory clauses or situations able to attribute the Cassa Centrale Group the practical capacity to unilaterally govern the relevant activities were identified.

Equity investments in wholly-owned subsidiaries with significant third-party interests

At the date of these condensed consolidated half-yearly financial statements, there are no subsidiaries controlled through an equity relationship with significant third-party interests.

Significant restrictions

At the date of these condensed consolidated half-yearly financial statements, there are no legal or substantive obligations or restrictions able to obstruct the rapid transfer of capital resources within the Group. The only restrictions are those attributable to regulatory provisions which may require a minimum amount of regulatory capital to be retained, or to the provisions of the Italian Civil Code on distributable profits and reserves.

It should be noted that there are no protective rights held by minorities able to limit the Group's capacity to access or transfer assets between Group companies or settle the Group's liabilities, including in relation to the fact that, as at 30 June 2022, there are no subsidiaries with significant third-party interests, as stated in the previous paragraph.

Other information

The accounting positions forming the basis of the line-by-line consolidation process are those relating to 30 June 2022, as approved by the competent bodies of the consolidated companies adjusted, where necessary, to bring them into line with the homogeneous accounting standards of the Group.

For the consolidation of companies subject to joint control and investments in associates, the most recent financial statements (annual or interim) approved by the companies have been used. In cases where the companies do not apply IAS/IFRS, it is verified that any application of IAS/IFRS would not have had a significant impact on the Consolidated Financial Statements of the Cassa Centrale Group.

Section 4 – Subsequent events

In relation to the provisions of IAS 10, from 30 June 2022, the reference date of this document and until its approval by the Board of Directors on 6 October 2022, no events occurred such as to entail a change in the data presented in the financial statements.

The accounting estimates as at 30 June 2022 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

Given the above, a description of the main events occurred after the end of the reporting period is provided below.

Carige S.p.A. Cassa di Risparmio di Genova e Imperia
Following the approval by CONSOB on 6 July 2022 of the offer concerning the IPO of ordinary shares of Banca Carige, Cassa Centrale Banca, on 18 July 2022 the company subscribed to the offer for its entire 5.916% shareholding at the fee of EUR 0.80 per ordinary share.

Section 5 – Other aspects

a) IFRS accounting standards, amendments and interpretations applicable from 1 January 2022

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

- amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The above amendments did not have an impact on the Group's financial position and economic results as at 30 June 2022.

b) Endorsed accounting standards that will enter into force after the reporting date

The accounting standards and accounting interpretations or amendments to existing accounting standards that will enter into force after 30 June 2022 are shown below:

- IFRS 17 Insurance Contracts (including the amendments published in June 2020): intended to replace IFRS 4 Insurance Contracts. The standard is effective beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are also applied.
- amendment to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The changes are aimed at improving accounting policy disclosures in order to provide investors and other primary users of the financial statements with more usable information, and to enable companies to distinguish between changes to accounting estimates and changes to accounting policy. The changes will come into effect on 1 January 2023 but early application is permitted.

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Group.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. The changes will come into effect on 1 January 2023 but early application is permitted;
- amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The changes will come into effect on 1 January 2023 but early application is permitted;

- amendments to IFRS Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information. The changes will come into effect on 1 January 2023, coinciding with the application of IFRS standard 17.

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Group.

d) Methods of application of the international accounting standards in the context of the Covid-19 pandemic and the Russia-Ukraine conflict

The European regulatory and supervisory bodies, as well as the standard setters, have published a series of guidelines aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the current context of the Covid-19 pandemic. The aforementioned interventions published during 2020 were extensively described in the Annual Financial Report as at 31 December 2020, to which reference should be made.

During 2021 (29 January 2021) the EBA updated its report on the implementation of the prudential regulatory framework defined in relation to the COVID-19 pandemic ("*EBA Report on the implementation of selected Covid-19 policies, EBA/Rep/2021/02*"), clarifying that, in the event that a bank enters into a second moratorium on the same credit facility, any suspension of payments scheduled to occur on or after 1 April 2021 is treated as an individual moratorium measure. Therefore, in such cases, the general rules regarding the definition of default, forbearance and distressed restructuring apply.

Regarding the use of macroeconomic projections, the ECB recommended using as an anchor point the projections formulated by its staff on 12 March 2020, in the subsequent quarters of 2020, 2021 and 2022.

Finally, with its communication of 21 December 2021, the Bank of Italy incorporated a series of quantitative and qualitative additions to the financial statement disclosures required within the seventh update of Circular no. 262 "Bank financial statements: layouts and rules of preparation", in order to provide the market with detailed information on the effects that Covid-19 and the measures to support the economy have had on the economic and financial situation of intermediaries.

Despite the improvement in the pandemic context in 2021, aspects of uncertainty linked to the continuation of the Covid-19 health emergency persist. In the first half of 2022, new elements of uncertainty associated with the conflict in Ukraine have emerged, resulting in a potential revision of forecasts and requiring the Cassa Centrale Group to continue to adopt strengthened measures and processes, as in the previous two years. Since the early stages of the conflict and in line with the actions of the United States, the Eurosystem implemented major economic and financial sanctions against the attacking countries (including the expulsion of the main Russian banks from the SWIFT payments scheme). As at the end of June the conflict had not yet ended and the deterrent measures were still in place which led - albeit against a backdrop of economic recovery characterised by high demand - to a significant drop in market confidence and a rise in the prices of primary commodities and energy sources, resulting in a significant revision of growth expectations and rising inflation.

Since the early stages, the Group has monitored the emergence of potential critical issues and weaknesses with regard to credit risk. To this end, it has implemented significant actions aimed at i) identifying potential direct impacts on risk factors associated with exposures, and ii) incorporating new macroeconomic expectations and identifying new vulnerabilities at sector level.

From a macroeconomic perspective, in June 2022 the ECB published the GPD forecasts for the Eurozone, indicating a growth trend of +2.8%, +2.1% and +2.1% respectively in the 2022-2024 three-year period. The growth illustrated in the forecasts for the three-year period is more modest compared to the projections by the same authority published in 2021 as a result of the conflict in Ukraine. The start of the conflict intensified criticalities regarding the supply of raw materials, with a consequent impact on the price of these commodities, eroding buying power and having a general negative effect on market confidence. In fact, the GDP forecasts for the Eurozone published in 2021 by the ECB indicated a respective growth of +4.2%, +2.9% and +1.6% in the 2022-2024 three-year period, a more sustained trend than shown in the new projections issued in June 2022 and in line with the projections issued by the same authority in December 2020 with regard to the 2021-2023 period. Finally, please note that the general growth trend illustrated in the forecasts was generally confirmed by the 6.6% increase in GDP recorded in 2021, reversing the -6.8% reduction in 2020, which was nonetheless more limited that predicted.

Similar trends can be seen across the Italian macroeconomic context. In particular, in June 2022 the Bank of Italy published the GPD forecasts for Italy, indicating a growth trend of +2.6%, +1.6% and +1.8% respectively in the 2022-2024 three-year period. Like the Eurozone GDP, this growth is below the forecasts published in 2021 due to the start of the conflict between Russia and Ukraine The most recent outlook of economic forecasts for the 2022-2024 period issued in December 2021 by the Bank of Italy indicate more pronounced economic growth at +4.0%, +2.5% and +1.7% respectively.

In terms of preparing the financial statement disclosures as at 30 June 2022, the Group continued to adopt the guidelines and recommendations issued by the European regulatory and supervisory bodies, as well as by the standard setters, also taking into account the assessments of the significant business activities and the support measures put in place by the Government to support households and businesses.

Lastly, the management of the Cassa Centrale Group placed, as usual, special attention on the causes of uncertainty inherent in the estimates that are part of the quantification process of certain items relating to the financial statement assets and liabilities. Due to the persistence of the Covid-19 pandemic and the evolution of the situation arising from the war in Ukraine, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, income taxes, goodwill and intangible assets.

The main areas of the financial statements most affected by the effects of the pandemic and the related accounting decisions made by the Cassa Centrale Group as at 30 June 2022 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

In order to calculate expected loss at 30 June 2022, the Cassa Centrale Group has incorporated the macroeconomic scenario as at May 2022 into its IFRS 9 impairment model, including the effects of the war in Ukraine and the uncertain evolution of the pandemic context, aspects which have a major influence of growth forecasts, the main macroeconomic variables and the financial indicators for 2022-2024, compared to the previous forecasts issued in December 2021.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 30 June 2022, conservative criteria - in accordance with the IAS/IFRS accounting standards - were adopted, taking into account the socio-economic effects resulting from the pandemic crisis which continue to persist in 2022, albeit to a lesser extent, as well as the uncertainty arising from the conflict between Russia and Ukraine. However, given the difficulty in estimating their duration and development, the Bank incorporated the potential impacts of the aforementioned events - which suggest a possible increase in insolvency rates in the future - into its credit evaluations. The support measures introduced by the State, such as those relating to the granting of state guarantees on new loans and, in more incisive terms for our sector, the moratorium measures required, from an operational point of view, a high degree of attention in the management and monitoring mechanisms undertaken by the bank for the possible effects of deterioration of counterparties may not be punctually and promptly intercepted. The possible effects of the resumption of payments for the reactivation of the recovery plans and the conclusion of the pre-amortisation for new loans granted under the supporting Legislative Decrees could lead to a significant rise in default rates, in the event that the current situation of inflation and rising raw materials and energy costs is not adequately supported by further institutional measures.

These uncertainties have led to the general continuation of the coverage levels as at 31 December 2021, with the intention of continuing to adopt substantial and objective credit classification policies in line with the strict requirements envisaged by the Group policies and with the recommendations of the Regulators.

In particular, the first area of intervention concerned the continuation of provisions on performing exposures that were still under moratorium during the second half of 2021, envisaging the application of minimum coverage levels (known as floors), identified within ranges defined by the Parent Company, and differentiated on the basis of the staging of the positions in terms of IFRS 9.

The second area of intervention concerned positions in stage 3 defined as sub-threshold, in accordance with the “Group Credit Classification Policy”, i.e. with an exposure of less than EUR 100 thousand and for which there is no analytical recovery plan. In line with the approach in December 2021, minimum levels of coverage have been set for these positions with the aim of aligning the coverage to the average Group coverage assessed on an analytical-specific basis. This approach is also in line with the recommendations of ESMA in its "*Public Statement European common enforcement priorities for 2020 annual financial reports*" published on 28 October 2020.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank "Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic", which were still deemed valid in view of the new uncertainties associated with the conflict in Ukraine.

For the purposes of calculating the expected loss as at 30 June 2022, the Cassa Centrale Group has used the three scenarios ("mild", "baseline", "adverse"), appropriately averaging their contributions, in accordance with the assessment of a context still of high future variability and potential uncertainty linked to the possible evolution of the health emergency and the conflict between Russia and Ukraine. It was therefore deemed opportune to increase the weight of the most severe scenario, offsetting against the baseline scenario. The scenarios used were those provided by the info-provider Prometeia, in accordance with a scenario generation system that considers publications from leading forecasting bodies as well as publications issued by the Supervisory Authorities, with no corrections.

Despite a confirmed growth trend, the updating of the macroeconomic scenarios shows a lowering of expectations for the 2022-2024 period, with a negative impact on medium-long term forecasts compared to the projections based on the scenarios in late 2021. In this context, in order to guarantee a conservative approach which is nonetheless consistent with the IAS/IFRS accounting standards framework, the Group does not adopt changes and weightings of forward looking scenarios.

The retrospective sensitivity analysis, carried out on the portfolios subject to scenario updates, showed the following effects as at 30 June 2022:

- a 8% decrease in total exposure to business clients classified in stage 1 (classifiable to stage 2) and a potential increase in allocations of +0.6% in terms of total coverage of the performing portfolio;
- a decrease of around 9% in exposures to consumer households classified in stage 1 (classifiable to stage 2) and a potential increase in allocations of around +0.25% in terms of total coverage of the performing portfolio;

Considering the persistent uncertainty of the reference context caused by the Russia-Ukraine conflict, in the first six months of 2022 the Group continued the adoption of certain changes to the models for quantifying the flat rate analytical impairment provisions related to credit risk. These interventions, introduced in 2021 in response to the effects of the Covid-19 health emergency and in line with the requirements of IFRS 9, were implemented to incorporate the guidelines provided in the publications by the ECB (SSM-2020-0154 and SSM-2020-0744) and GL EBA (EBA-GL-2020-02), as well as the indications issued by other Standard Setters. The interventions outlined above, guided primarily by a conservative approach and in any case improved and finalised during the year, made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk in the current context, with particular reference to the sectors of the economy impacted by the sharp increase in energy prices. At the same time, this also ensured the reduction of potentially distorted elements in the estimates.

In order to reflect the uncertainty in the outlook for certain segments of the economy and in line with ECB regulations, PD curves were differentiated by sector, a component calibrated using the Group's internal data and refined in the first half of 2022. This had effects both on staging and on the calculation of expected losses, refining the previous approach of penalisations (by downgrading creditworthiness) in certain economic sectors and geographical areas considered more exposed to the negative effects of the pandemic and the current stress introduced by price rises and the uncertainty in the availability of raw materials resulting from the Russian-Ukraine conflict.

The evolution of geo-sectoral treatment, through the use of specific curves for certain economic sectors, has contributed to maintaining conservative assessments of the most energy intensive sectors and those most affected by the pandemic, as well as improving the degree of identification of exposures to which more stable and robust criteria should be adopted.

With regard to the calculation of expected losses, the Bank's Loss Given Default (LGD) parameter, which was developed in Q4 2021, was maintained in the first six months of 2022 by increasing the segmentation of the non-performing LGD component of the model to include the effects of recoveries on open positions (increasing the parameter value by approximately +18%) and positions subject to divestment; in this context, the point-in-time concept (anchoring of parameters for the most recent ECL projections) was standardised for two main modules of the risk parameter (i.e. danger rate and non-performing LGD).

Moreover, access to support measures was treated with a particularly conservative approach, as shown below:

- for positions under moratorium, in line with GL ECB SSM 2020 0744, potential credit improvement of counterparties with an operational moratorium at the end of the reporting period or in the preceding three months have been eliminated; this action results in the sterilisation of any credit improvement in the rating of the counterparty during the moratorium period, i.e. until a situation is restored that demonstrates the start of and compliance with the repayment schedule for the identified positions;
- for government guarantees given as part of new lending or existing exposures, a specific LGD has been consistently factored into the expected loss calculation that also reflects the collection capacity of the guarantees.

With reference to the stage classification process of the performing portfolio, in the first six months of 2022 the effects of the prudential backstop of 300% of the SICR (introduced in Q4 2021, in addition to the current transfer threshold definition model) continued to manifest as the maximum threshold of variation between lifetime PD at the reporting date and that defined at the origination date on each relationship.

Note that the current calibration of the IFRS 9 model includes the effects of the new definition of default as from March 2021 and based on the time series over the 2015-2020 time interval. With regard to updating the time series underlying the estimate of the relevant parameters of the IFRS 9 model as at 30 June 2022, it was decided to update this component with the inclusion of the data available as at 31/03/2022. The IFRS model was therefore recalibrated in terms of the parameters and primary modules, i.e., PD, LGD and SICR (quantitative definition criteria of stage 2) based on the newly available time series. Based on the outcome of a sensitivity analysis, this intervention - also taking into account the upgrading of the creditworthiness and counterparty rating - entails a substantial offsetting of the scenario effect, leading to:

- an increase of about +5.5% in the total exposure to business customers classified in stage 2 and a potential increase in allocations of about +6.5%;
- a small decrease of about 1% in exposures to consumer households classified in stage 2 and a potential reduction in allocations of about 15%.

In compliance with the requirements of Article 14 of the "Guidelines on Legislative and Non-Legislative Moratoria on Loan Payments Applied in the Light of the Covid-19 Crisis" issued by the EBA (EBA/GL/2020/02), the Cassa Centrale Group has set up an enhanced monitoring system aimed at verifying punctually the positions, including those that benefited from a Covid-19 moratorium in order to promptly intercept eventual downgrading to non-performing. In this regard, in the first six months of 2022, as in the previous year, first and second level controls were conducted by the Group's NPL Service and the Risk Management Department. These analyses were performed by both the Affiliated Banks and the Parent Company in order to ensure uniformity of classification at Group level and led to the classification of some counterparties in stage 2 and others, deemed in default, in stage 3 reducing the potential cliff-effect that could occur at the end of the support measures. This enabled positions associated with the emerging vulnerabilities arising from the conflict in Ukraine to be promptly intercepted, with particular reference to exposures belonging to specific economic sectors that are more sensitive to the outcome of this crisis. As in the previous year, in the first six months of 2022 the above activities had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Accounting treatment of Covid-19 moratoria

The Cassa Centrale Group has adopted a policy that governs, among other aspects, the accounting treatment of contractual amendments relating to financial assets. This policy states that changes made to exposures for which the debtor has been found to be in financial difficulty (known as Forborne) lead to a change in the carrying amount of the financial asset, resulting in the need to recognise a gain or loss in item 140. “Profits/losses from contractual changes without derecognition” of the income statement (so-called Modification accounting).

On the basis of the indications provided by the European Banking Authority in the document “*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*” of 4 April 2020 (EBA/GL/2020/02), the moratoria granted to customers ex lege (mainly Law Decree no. 18 of 17 March 2020) and in application of trade agreements (ABI Agreements), have not been considered as an expression of the financial difficulty of the debtor, for all renegotiations implemented by 30 September 2020. Therefore, the aforementioned positions were not classified as Forborne exposures. In the case of concessions that also refer to legislation or national agreements, but were granted after 01.10.2020, the banks made a specific assessment of whether or not the requirements for the assignment of the Forborne attribute were met, given that with the communication of 21.09.2020, EBA declared the interruption of the exemptions previously recognised for the moratoria granted as a result of the health emergency to 30.09.2020. However, the subsequent resurgence of the pandemic led the EBA to change its stance, as per the Amendment of 02 December 2020, date from which the continuation of moratoria, already granted before 30 September 2020 and based on national law or agreements, has made it possible to further benefit from the exemption from the requirement to assess the state of distress of the counterparty.

On the basis of the various guidelines issued by the European Banking Authority in 2020 and 2021, the conduct adopted by the Parent Company and by the Affiliated Banks in granting moratoria can be outlined as follows:

- from 17 March 2020 to 30 September 2020, there was an almost complete exclusion of the moratoria from the scope of assessment and application of forbearance for all suspensions based on law or general agreements;
- from 01.10.2020 to 01.12.2020, the forborne attribute was assigned by applying the ordinary rules envisaged by the “Group Policy for the classification and valuation of loans”;
- from 02 December 2020, the presumption of absence of the conditions for the forbearance of the Covid19 moratoria granted in the first instance between 17 March 2020 and 30 September 2020, for which a possible extension did not result in the total of 9 months of suspension being exceeded was applied, while for new requests for moratorium the individual assessment system for each position as described above was maintained;
- finally, from 1 April 2021, following the publication by the EBA of the “*Report on the implementation of selected Covid-19 policies, EBA/Rep/2021/02*”, all the suspensions granted starting from 1 April 2021 are no longer considered “EBA Compliant”. Therefore, starting from that date, it is necessary to assess the individual position, so as to define whether it is to be reclassified as a forborne exposure or in default.

In relation to the above, therefore, all moratoria granted to customers in the first and third points, to which the forborne attribute has not been assigned, have not been treated according to modification accounting as they do not qualify as forbearance measures.

For all other moratoria granted by the Parent Company and the banks belonging to the Cassa Centrale Group on the basis of common initiatives promoted, or in any case in the absence of the objective and subjective requirements provided for by legislation or general agreements of national scope, the criteria for distinguishing between commercial renegotiations (non-forborne) and forbearance measures (forborne) were applied, as provided for by the aforementioned “Group Policy for the classification and measurement of loans”.

As part of the monitoring conducted in the first six months of 2022 the interventions developed primarily in the previous year continued, concerning the verification of internal controls on the identification of the status of financial difficulty of the counterparty when granting the measures (legislative or contractual), or provided by the Cooperative Banking Group to support customers affected by the recession induced by the pandemic; this activity consists of an analysis of the Banking Group in terms of risk profile, regulatory framework and compliance and functionality of information systems. The audits were also conducted at the level of the individual Affiliated Banks, in order to assess the effectiveness of the controls in relation to the identification of conditions of financial difficulty of the customers benefiting from the support measures (moratoria and/or new liquidity), also taking account of the risk profile that characterises the sector at the Bank and also resorting to sample controls.

Measurement of securities at fair value

The Cassa Centrale Group's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets measured at fair value through other comprehensive income, exceeding certain thresholds, provided for by the Group's "Fair Value Policy" were measured as at 30 June 2022. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to reflect the turbulence seen on the financial markets it was deemed appropriate to adopt a limited observation horizon of the market capitalisations of comparable listed companies. Specifically, reference was made to the precise observations as at the date the parameters were updated and, limited to the application of the regression methodology, also to the average of the six-month observations.

Impairment test of goodwill and intangibles

Although the Cassa Central Group conducted an impairment test on goodwill when preparing the financial statements for the year ended 31 December 2021, based on the Group Policy on impairment test procedures, which was submitted for approval to the Parent Company's Board of Directors on 21 July 2022, an analysis of the impairment indicators as at 30 June 2022 was also conducted. The analysis identified trigger events such to require an interim impairment test on goodwill and intangibles. The results of the impairment test did not entail the need to recognise any negative effects of the impairment of intangibles in the income statement.

For more details see Part B, Section 10 - Intangible assets.

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

At the end of the reporting period, the Cassa Centrale Group had outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a carrying amount of about EUR 16 billion, which resulted in a positive contribution to interest margin of about EUR 54 million as at 30 June 2022. The return on loans was calculated taking into account the "special interest rate" for the period, in that the Group reached the performance targets for loan disbursements required during 2021 for the TLTRO Group led by Cassa Centrale Banca.

The Group has assessed that the transactions of the TLTRO-III programme cannot be assimilated to loans at an interest rate lower than the market rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the end of the reporting period, both monitoring time windows for the achievement of performance targets for loan disbursements envisaged by the TLTRO-III programme had been completed. The result obtained was also confirmed by the Bank of Italy.

Consequently, the method used to apply the interest rate to existing TLTRO-III operations considered the following hypotheses:

- achievement of performance targets for loan disbursements over the time windows of the "special reference period" and the "additional specific reference period";
- incorporation of reference rates effective until the date of the report and subsequent stability of the reference rates of the European Central Bank until the maturity of the operations, pending the expected rise in key interest rates at the next ECB monetary policy meetings during the second half of 2022;
- maintenance of transactions until natural maturity.

f) Interest Rate Benchmark Reform: disclosure required according to IFRS 7

The hedging derivatives of the Group's fixed-rate loans (fair value hedges) are entirely at Euribor, whose calculation method was revised in 2019 in order to continue to use this parameter even after 1 January 2022, for both existing and new contracts.

To make the Euribor compliant with the EU benchmark regulation (*Benchmarks Regulation*, BMR - Regulation no. 2016/1011/EU), the EMMI – *European Money Markets Institute* – has transitioned to a new "hybrid" calculation method. The current calculation system – whose activities were completed at the end of November 2019 – does not change the economic variable measured by the index: the Euribor expresses the actual cost of funding for contributing European banks and is always available for consultation. Therefore, the Group does not believe that there is any uncertainty about the timing or amount of Euribor cash flows and does not consider Euribor-linked fair value hedges to be impacted by the reform as at 30 June 2022.

Therefore, as at 30 June 2022, there were no derivatives indexed to benchmarks impacted by the reform, in particular at EONIA and LIBOR.

As at the same date, the Group has only one financial liability subject to cash flow hedging; this type of hedge therefore continues to be very residual.

In the broader context of the complex process of reform of the indices, the Group has launched a project to adjust to the European Regulation no. 1011/2016 ("BMR Regulation"), which provides for areas of adjustment both in customer relations and in its own organisational and operational structures. However, it should be noted that the assets and liabilities indexed to rates other than the EURIBOR are negligible for the Group, therefore, no significant impact is expected from rate substitution.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these condensed consolidated half-yearly financial statements are shown below.

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

Classification criteria

Financial assets measured at fair value through profit or loss include:

- financial assets which, according to the business model of the Group, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets designated at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "b) financial assets designated at fair value;
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are mandatorily measured at fair value. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "c) other financial assets mandatorily measured at fair value".

Therefore, the Group recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the income statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the income statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are measured at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (so-called Fair Value Option), are entered in the Income Statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the consolidated income statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss for instruments mandatorily measured at fair value and for instruments measured at fair value.

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

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
  - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (Hold to Collect and Sell business model);
  - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
  - shall be made at the time of initial recognition of the instrument;
  - must be carried out at the level of the individual financial instrument;
  - is irrevocable;
  - is not applicable to instruments that are held for trading or represent contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets measured at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross carrying amount. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the re-payment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

For further details on how fair value is determined for financial assets, please refer to paragraph "A.4 - Information on fair value" of this part A.

It should also be noted that "Financial assets measured at fair value through other comprehensive income", both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as "Financial assets measured at amortised cost". Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables - calculated on the basis of the effective interest rate - is recognised in the income statement on an accruals basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the income statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve are reversed, wholly or partly to the income statement (recycling).

With reference to equity instruments, the only component that is recognised in the income statement is dividends. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity; and
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be subsequently transferred to the income statement even if they are realised (no recycling).

3 – Financial assets measured at amortised cost

Classification criteria

Financial assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually (Hold to Collect business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Group recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Also included are loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included in the consolidated balance sheet item 10. Cash and cash equivalents;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets measured at fair value through other comprehensive income or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the income statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases the financial asset is considered impaired upon initial recognition (so-called impaired financial assets acquired or originated), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered impaired financial assets acquired or originated on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. Distinguishments can be made between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They entail the recognition in the income statement of any differences between the carrying amount of the derecognised financial asset and the carrying amount of the newly recognised asset;

- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment carrying amount and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under consolidated income statement item 10. Interest income and similar revenues and is recorded on an accrual basis, based on the effective interest rate, i.e. applying the latter to the gross carrying amount of the financial asset, except for:

- impaired financial assets acquired or originated. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are not impaired financial assets acquired or originated but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in point 2 of the above list, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross carrying amount.

It should be noted that the Group applies the criterion referred to in point 2 of the above list only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at each reporting date in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. Profits and losses resulting from the sale of receivables are recorded in the consolidated income statement under item 100. Profit/loss from disposal/repurchase.

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the income statement items relating to interest.

Profit and loss relating to securities are recognised in the consolidated income statement under item 100. Profit/loss from disposal/repurchase at the time the assets are sold.

Any impairment of securities is recognised in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. If the reasons that led to the evidence of the decline in value are removed, the write-back is included with recognition in the income statement in the same item.

4 – Hedging transactions

With regard to hedging transactions (hedge accounting), the Group avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a financial statement entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk related to a highly probable present or future financial statement entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non Euro country or currency.

Only instruments involving a counterparty outside the Cassa Centrale Group may be designated as hedging instruments.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the balance sheet asset or liability item, depending on whether, as at the end of the reporting period, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the income statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the income statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the income statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet, respectively, in the consolidated financial statements item 60. Adjustment of the financial assets subject to macro-hedging or item 50. Adjustment of the financial liabilities subject to macro-hedging.

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and that which would have been its carrying amount if the hedge had never existed, is amortised in the income statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non interest bearing financial instruments, it is recorded immediately in the income statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the income statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the income statement when the flows relating to the risk originally hedged occur.

5 – Equity investments

Classification criteria

This item includes interests held in associates and jointly controlled companies.

The following definitions in particular apply:

- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Group, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investing company. Such influence is presumed (relative presumption) to exist for companies in which the Group owns at least 20.00% of the voting rights of the investee company;
- jointly controlled company (joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Investments in associates and investments in jointly controlled companies are valued using the equity method. This means that, after initial recognition, the carrying amount is subsequently increased or decreased to record the Group's share of the profits and losses of the investee companies realised after the acquisition date, as a contra-entry to consolidated income statement item 250. Profit (loss) on equity investments.

If there is objective evidence of impairment, an estimate is made of the recoverable value of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable value of the asset is lower than its carrying amount, the impairment loss is recognised in the income statement under item 250. Profit (loss) on equity investments in the consolidated financial statements.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recorded under the consolidated income statement item 70. Dividend and similar income. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the Consolidated Financial Statements, dividends received are deducted from the carrying amount of the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item 250. Profit (loss) on equity investments in the consolidated financial statements.

6 – Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

Property for business use is defined as those tangible assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are recorded in the consolidated financial statements under 'Other Assets' and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the income statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the right of use model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the long-lasting reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the carrying amount compared to the recoverable value. The recoverable value of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the income statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value, it being understood that the carrying amount of the asset is compared with its recoverable value if there is any indication that the asset may have suffered an impairment. Any adjustments are recognised in the income statement.

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

Derecognition criteria

Tangible assets are eliminated from the balance sheet at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the carrying amount of the asset; they are recorded in the income statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the income statement, in consolidated financial statements item 210. Net value adjustments/write-backs to tangible assets.

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the carrying amount might not be recoverable. These impairment losses are recognised in the income statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In the consolidated income statement item 280. Profit (loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

7 – Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the income statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with a "definite" useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the depreciation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable value of the asset. The amount of the impairment, recorded in the income statement, is equal to the difference between the carrying amount of the asset and its recoverable value.

Derecognition criteria

Intangible assets are eliminated from the balance sheet at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the carrying amount of the asset and entered in the income statement.

Criteria for the recognition of the income components

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

In the consolidated income statement item 220. Net value adjustments/write-backs to intangible assets, the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In the consolidated income statement item 280. Profit (Loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

8 – Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose carrying amount will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a purchaser and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups of assets held for disposal, as well as discontinued operations and related liabilities are shown under specific items of consolidated assets (120 Non-current assets and groups of assets held for disposal) and consolidated liabilities (70 Liabilities associated to assets held for disposal).

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the carrying amount and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their carrying amount and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the balance sheet at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable value at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

Income taxes relating to discontinued operations are calculated in compliance with current taxation regulations and are recognised in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses, valuation results and profit/loss on sale (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant consolidated income statement item 320. Profit (loss) after tax from discontinued operations.

9 – Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under ‘Current tax liabilities’ of the consolidated balance sheet.

In the event of overpayment, which gave rise to a recoverable receivable, this is accounted for among the ‘Current tax assets’ of the consolidated balance sheet.

In accordance with IAS 12, the Group compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the so-called balance sheet liability method, taking into account the temporary differences between the carrying amount of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the balance sheet and its value recognised for tax purposes. These differences are distinguished between 'deductible temporary differences' and 'taxable temporary differences'.

Deferred tax assets

Deductible temporary differences indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

Deferred tax assets are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements of the entities in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

Taxable temporary differences indicate a future increase in taxation and consequently generate deferred tax liabilities, since these differences give rise to taxable amounts in the following years to those when they are attributed to the statutory income statement, determining a deferment of the taxation compared to the economic-statutory accrual.

Deferred tax liabilities are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting and are booked in consolidated balance sheet item 110. Tax assets, sub-item "b) deferred" and 60. Tax liabilities, sub-item "b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the income statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the income statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

10 – Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- provision for credit risk relative to commitments and financial guarantees given: the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- provision for other commitments and guarantees given: the value of the total provisions in respect of other commitments and other guarantees given which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- provisions for post-employment benefits includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- other provisions for risks and charges: these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the income statement, in consolidated financial statements item 200. Net allocations to provisions for risks and charges.

The item includes the positive or negative balance between the allocations and any re-attributions to the income statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11 – Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than Financial liabilities held for trading and Financial liabilities measured at fair value.

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) measured at amortised cost. Securities that, as at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the income statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the income statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the income statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding carrying amount of the liability is entered in the income statement, under the consolidated financial statements item 100. Profit (loss) from disposal/repurchase of: c) Financial liabilities.

12 – Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, paragraph 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the reporting date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the balance sheet; if the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets measured at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the income statement under item 80. Net result from trading.

13 - Financial liabilities designated at fair value

Classification criteria

Classified in this item are those financial liabilities designated at fair value with valuation results entered in the income statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is designated at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities designated at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the income statement.

Measurement criteria

Liabilities are designated at fair value. The income components are reported according to the provisions of IFRS 9, as set out below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (Statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph “A.4 - Information on fair value” of this part A.

Derecognition criteria

The financial liabilities designated at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the carrying amount of the liability and the amount paid to purchase is recorded in the income statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the income statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the Interest expense and similar charges of the consolidated income statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (Statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss.

14 – Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

Transactions in foreign currencies are recorded, at the time of initial recognition, in a currency account, by applying the exchange rate in force at the transaction date to the amount in a foreign currency.

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items measured at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the income statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the Equity, the exchange rate difference relating to this element is also recorded in the Equity.

When a profit or loss is recorded in the income statement, the related exchange rate difference is also recorded in the income statement.

15 – Other information

15.1 Sales and repurchase contracts (repos)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 Provision for severance indemnity and seniority bonuses

Provision for severance indemnity (hereinafter also T.F.R.) is similar to a post-employment benefit of the defined benefit plan type the value of which IAS 19 requires to be determined using actuarial methodologies.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the T.F.R. accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee T.F.R. is carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Legislative Decree no. 252/2005, the portions of the provision for severance indemnity (TFR) accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to supplementary pension plans or the INPS fund.

The latter were therefore recognised in the income statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the T.F.R. paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the consolidated income statement sub-item 190. a) personnel costs.

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among 'Other liabilities') for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the "Statement of consolidated comprehensive income".

The 'other long-term benefits' described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and charges of the balance sheet.

The allocation, as the reattribution to the income statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the income statement among the "Personnel costs".

15.3 Recognition of revenues and costs

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

- at a given time, when the entity meets its performance obligation by transferring the promised good or service to the customer; or
- over a period of time, as the entity meets its performance obligation by transferring the promised good or service to the customer.

With reference to point b) above, a performance obligation is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;

- the customer simultaneously receives or consumes the benefits provided by the entity's performance as the entity performs;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are:

- the obligation to pay;
- the legal title of the right to the consideration accrued;
- the physical possession of the asset;
- the transfer of risks and benefits related to ownership;
- the acceptance of the asset.

With regards to revenues realised over a period of time, the Group adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Group are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the income statement only at the time of its actual collection;
- the dividends are recorded in the income statement in the period in which their distribution is resolved, which coincides with the period when they are collected;
- the commissions for revenues from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered.

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the income statement according to the accrual principle; the costs relating to the obtainment and fulfilment of the contracts with the customer are recognised in the income statement in the periods in which the associated revenues are recognised.

15.4 Improvements to third-party assets

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the 'Other assets' and are amortised for a period not exceeding the duration of the lease.

15.5 Methods of recognition of impairment losses

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment - to be carried out at the end of each reporting period - to verify whether there are any indicators that these assets may be impaired (known as impairment indicators).

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model adopted by the Group, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

As a result of the Covid-19 pandemic, during the first half of the year the Cassa Centrale Group continued to implement several refinements to the IFRS 9 impairment model, mainly introduced with the annual financial statements as at 31 December 2021, to reflect the guidelines and recommendations contained in the various guidelines issued by the regulators. For more details on the aforementioned refinements, please refer to paragraph "d) Methods of application of international accounting standards in the context of the Covid-19 pandemic" included in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions.

More specifically, the Group made provision for the allocation of the individual credit, cash and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
    - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
    - positions which, as at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
    - presence of a 'forborne performing' attribute;
    - presence of past due amounts and/or overrun by more than 30 days;
    - positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- Low risk class (class 5 for the Private segment, class 3 for Small Economic Operators and class 4 for Small Businesses and Companies).

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;
- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset (lifetime expected loss);
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of

the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Group has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks have been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Group adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also PD and EAD) risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the 1 stage of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In stage 2, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events were verified as such to negatively impact future cash flows.

As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- the 12-month ECL represents the expected value of the loss estimated on an annual basis;
- the lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Group to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- cash exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- cash exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- cash exposures classified as unlikely to pay that exceed the size threshold;
- cash exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 100,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable value (valuation component), the Group adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- going concern approach, which applies only to business counterparties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article

67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;

- the debtor's future operating cash flows are adequate to repay the financial debt to all creditors.

- gone concern approach, which applies mandatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable value (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable. If there is any indication of this, the entity must estimate the asset's recoverable value that, therefore, is tested for impairment.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable value of the investment is lower than its carrying amount.

The recoverable value is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the carrying amount.

For the valuation methods used to determine fair value, reference should be made to paragraph "A.4 - Information on fair value" in this part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable value is higher than the carrying amount of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in Consolidated Income Statement item 250. Profit (loss) on equity investments.

Should the recoverable value subsequently be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (known as impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at fair value (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by paragraph 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property where Management is located (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets - and not a single asset - that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable value (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative carrying amount.

If and only if the recoverable value of an asset or of the CGU is lower than its carrying amount, the latter must be reduced to the recoverable value, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Group is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress);

Other intangible assets (e.g. those with a defined useful life such as core deposits acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by paragraph 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable value is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable value, which will be compared with their carrying amount in order to quantify any impairment. The recoverable value is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the carrying amount of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit (CGU) in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A CGU is written down when its carrying amount is higher than its recoverable value. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the carrying amount of the asset, or because the asset would be sold for less than its carrying amount.

15.6 Business combinations

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the Parent Company (acquiror) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the purchaser and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the purchaser's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the income statement.

15.7 Accruals and deferrals

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 Own shares

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity. Similarly, shares issued by the Parent Company and subscribed by the Affiliated Banks as part of the sole consolidating entity are also deducted from Group's equity.

15.9 Payments based on shares

This case does not apply to the Group, as it does not have a so-called 'stock option plan' in place on Group-issued shares.

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

The Group has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.4 - Information on fair value

Information of a qualitative nature

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The "Fair value policy" of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the so-called "fair value hierarchy".

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Group has equipped itself with tools to identify and monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on valuation models.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Group has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. A financial instrument is considered to be listed on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF). For example, the following are classified at this level of fair value:
    - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
    - shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
    - UCITS mutual funds, i.e. undertakings for collective investment in transferable securities.
- Level 2: fair value is determined on the basis of valuation techniques that envisage:
    - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
    - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Group refers to prices in markets where the stringent requirements of the active market are not met or to valuation models - also developed by info providers - aimed at estimating the price at which a regular sale or transfer of a liability between market participants would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
        - the prices of similar financial assets/liabilities;
        - interest rates and yield curves observable at commonly quoted intervals;
        - implied volatility;
        - credit spread;
        - inputs corroborated by the market based on observable market data.

The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

- non-governmental bonds for which a price is available on a non-active market;
- securities for which the valuation is provided by a third party provider using inputs observable on active markets;
- securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
- shares that are not listed on an active market;
- OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.

- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:
    - unlisted minority equity investments;
    - insurance investment products;
    - unlisted non-UCITS funds;
    - junior securitisation securities;
    - unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

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

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal model is used to determine fair value.

The valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by Affiliated Banks or other cooperative credit banks, the rating class is determined on the basis of the creditworthiness of the Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used.

Given the predominant use of observable inputs, the fair value thus determined is classified at level 2.

Derivatives

The fair value of OTC derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in balance sheet assets, IFRS 13 confirmed the rule of applying the credit valuation adjustment - CVA. With regard to financial liabilities represented by OTC derivatives, IFRS 13 introduces a debt valuation adjustment (DVA), i.e. a fair value adjustment to reflect its own default risk on such instruments.

The Group therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA - minimum transfer amount (that is the difference between the fair value of the contract and the value of the guarantee) under

which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Group, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (market approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);
- income approach: these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) discounted cash flow (DCF); ii) dividend discount model (DDM); iii) appraisal value;
- adjusted net asset value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Group verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Group uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the Fair Value Policy approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and alternative investment funds (hereinafter also referred to as 'AIFs') are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

For this reason, the net asset value (NAV) used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI test (as set forth in IFRS 9) or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

With reference to loans to customers and banks, recorded under financial assets measured at amortised cost, the fair value of which is provided for disclosure purposes, it should be noted that the fair value of short-term or revocable loans has been conventionally assumed to be equal to the carrying amount.

With regard to non-performing positions – except for situations in which, given the presence of objective elements deriving from valuations on portfolios and/or specific positions expressed by third parties, the values deriving from such valuations are used – the book value has been assumed as an approximation of fair value.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a discounted cash flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 processes and sensitivities of the valuations

The Group generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

That said, financial instruments under assets with a fair value level 3 represent a residual portion of approximately 4% of the total portfolio of financial designated at fair value. They consist mainly of unlisted minority equity investments and insurance investment products (typically life insurance policies).

With reference to the unlisted minority equity investments, the investment in Iccrea Banca S.p.A. (hereinafter also "Iccrea"), involving a sale transaction during the first half of 2022 for a countervalue of approximately EUR 47 million, is significant. As a result of this sale, on 30 June 2022 the residual exposure of the Group was EUR 47 million and consisted of the final tranche of the sale. This was not subject to sensitivity analysis considering that the fair value was determined on the basis of the price defined in the agreement signed in October 2019 between the Parent Company and Iccrea regarding the definition of reciprocal participation arrangements. Given that the value of the equity investment will be realised at the price already established in the agreement, which cannot therefore be subject to change, it was considered that the sensitivity analysis has no significant informative value.

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euro swap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

With reference to the equity investment in Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia (hereinafter also "Carige"), in consideration of the accounting valuation at the IPO bid price launched on 11 July 2022 by the BPER Group, no sensitivity analysis on significant unobservable inputs was performed.

A.4.3 fair value hierarchy

For a description of the fair value hierarchy levels envisaged by the Group, please refer to paragraph "A.4 - Information on fair value" above.

With reference to assets and liabilities designated at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 other information

The Group does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Group, with reference to derivatives concluded with financial counterparties with which it stipulated framework offsetting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	30/06/2022			31/12/2021		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss	180	20	338	207	18	368
a) financial assets held for trading	-	7	-	-	6	-
b) financial assets designated at fair value	-	-	1	-	-	1
c) other financial assets mandatorily measured at fair value	180	13	337	207	12	367
2. Financial assets designated at fair value through other comprehensive income	11,278	54	155	10,818	9	209
3. Hedging derivatives	-	86	-	-	6	-
4. Tangible assets	-	-	14	-	-	15
5. Intangible assets	-	-	-	-	-	-
Total	**11,458**	**160**	**507**	**11,025**	**33**	**592**
1. Financial liabilities held for trading	-	4	-	-	3	-
2. Financial liabilities designated at fair value	-	1	-	-	1	-
3. Hedging derivatives	-	2	-	-	29	-
Total	**-**	**7**	**-**	**-**	**33**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

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

	Financial assets designated at fair value through profit or loss				Financial assets designated at fair value through other comprehensive income	Hedging derivatives	Tangible assets	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 BALANCES	**368**	**-**	**1**	**367**	**209**	**-**	**15**	**-**
2. INCREASES	**16**	**-**	**-**	**16**	**9**	**-**	**-**	**-**
2.1. Purchases	13	-	-	13	9	-	-	-
2.2. Profit attributed to:	3	-	-	3	-	-	-	-
2.2.1. Income Statement	3	-	-	3	-	-	-	-
- of which capital gains	1	-	-	1	-	-	-	-
2.2.2. Equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. DECREASES	**46**	**-**	**-**	**46**	**63**	**-**	**1**	**-**
3.1. Sales	4	-	-	4	44	-	-	-
3.2. Repayments	31	-	-	31	1	-	-	-
3.3. Losses attributed to:	10	-	-	10	4	-	-	-
3.3.1. Income Statement	10	-	-	10	1	-	-	-
- of which capital losses	8	-	-	8	-	-	-	-
3.3.2. Equity	-	X	X	X	3	-	-	-
3.4. Transfers to other levels	-	-	-	-	11	-	-	-
3.5. Other decreases	1	-	-	1	3	-	1	-
4. CLOSING BALANCES	**338**	**-**	**1**	**337**	**155**	**-**	**14**	**-**

A.4.5.3 Changes during the period in liabilities designated at fair value on a recurring basis (level 3)

At the end of the reporting period, the Group does not hold any liabilities measured at fair value on a recurring basis classified to level 3.

A.4.5.4 Assets and liabilities which are not designated at fair value or which are designated at fair value on non-recurring basis: breakdown by fair value levels

ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30/06/2022				31/12/2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	79,169	26,209	228	52,384	75,250	25,848	508	50,692
2. Tangible assets held for investment purposes	73	-	-	78	75	-	-	86
3. Non-current assets and groups of assets held for disposal	1	-	-	1	3	-	1	2
Total	**79,243**	**26,209**	**228**	**52,463**	**75,328**	**25,848**	**509**	**50,780**
1. Financial liabilities measured at amortised cost	84,828	-	835	83,992	81,734	-	1,201	80,535
2. Liabilities associated to assets held for disposal	-	-	-	-	-	-	-	-
Total	**84,828**	**-**	**835**	**83,992**	**81,734**	**-**	**1,201**	**80,535**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 - Information on day one profit/loss

The Group did not carry out any transactions for which, at the moment of first-time recognition of a financial instrument, a difference emerges between the purchase value and the value of the instrument obtained using internal valuation techniques.

PART B - Information on the consolidated balance sheet

ASSETS

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

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 30/06/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	7	-	-	6	-
1.1 trading	-	7	-	-	6	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-

ITEMS/VALUES	Total 30/06/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**7**	**-**	**-**	**6**	**-**
Total (A+B)	**-**	**7**	**-**	**-**	**6**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

As at 30 June 2022, and as in the comparison period, this item includes the following derivative instruments classified in the trading book.

2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 30/06/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. LOANS	**-**	**-**	**1**	**-**	**-**	**1**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	1	-	-	1
Total	**-**	**-**	**1**	**-**	**-**	**1**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

ITEMS/VALUES	Total 30/06/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**1**	**12**	**4**	**-**	**12**	**4**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1	12	4	-	12	4
2. EQUITIES	**14**	**1**	**-**	**14**	**-**	**-**
3. UCITS UNITS	**165**	**-**	**78**	**193**	**-**	**80**
4. LOANS	**-**	**-**	**255**	**-**	**-**	**283**
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	255	-	-	283
Total	**180**	**13**	**337**	**207**	**12**	**367**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "1.2. Other debt securities" includes junior and mezzanine securities related to securitisation transactions for approximately EUR 4 million classified in fair value level 3.

Loans include approximately EUR 200 million in life insurance policies issued by insurance companies, linked to the return on a separate holding, and mandatorily measured at fair value following the failure of the SPPI test.

The item 'UCITS units' is composed of the following main categories of funds:

- bonds of approximately EUR 108 million;
- stocks for approximately EUR 39 million;
- balanced for approximately EUR 36 million;
- real estate of approximately EUR 31 million;
- NPL of approximately EUR 28 million;
- private equity of approximately EUR 1 million.

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

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

ITEMS/VALUES	Total 30/06/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**11,259**	**17**	**-**	**10,797**	**9**	**1**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	11,259	17	-	10,797	9	1
2. EQUITIES	**19**	**37**	**155**	**21**	**-**	**208**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**11,278**	**54**	**155**	**10,818**	**9**	**209**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "1. Debt securities" is mainly composed of government securities.

The item "2. Equities" includes residual Iccrea Banca S.p.A. securities held by Affiliated Banks for approximately EUR 47 million, representing an interest of approximately 3.3%. These securities are part of the sale agreement entered into in 2019 with ICCREA Banca S.p.A., which will allow the position to be completely eliminated by 2022.

Furthermore, the item includes the equities relative to the investment by Cassa Centrale Banca in Carige for a value of around EUR 36 million corresponding to 5.916% of the share capital, valued at the fee defined in the IPO of EUR 0.80 per ordinary share.

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3.3 Financial assets designated at fair value through other comprehensive income: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	11,275	2	3	-	-	2	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 30/06/2022	**11,275**	**2**	**3**	**-**	**-**	**2**	**-**	**-**	**-**	**-**
Total 31/12/2021	**10,808**	**13**	**1**	**1**	**-**	**2**	**-**	**1**	**-**	**-**

* Value to be displayed for information purposes

The division by stage of risk of financial assets measured at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A – Accounting policies in paragraph “15.5 Methods of recognition of impairment losses” and Part E – Information on risks and related hedging policies.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and writedowns

The table does not contain information and therefore was not filled in.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by category of loans to banks

TYPE OF TRANSACTIONS/ VALUES	Total 30/06/2022						Total 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**3,645**	**-**	**-**	**-**	**-**	**3,645**	**3,273**	**-**	**-**	**-**	**-**	**3,273**
1. Time deposit	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	3,645	-	-	X	X	X	3,273	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. LOANS TO BANKS	**928**	**-**	**-**	**408**	**167**	**298**	**782**	**-**	**-**	**351**	**170**	**270**
1. Loans	**288**	**-**	**-**	**-**	**-**	**288**	**260**	**-**	**-**	**-**	**-**	**260**
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	77	-	-	X	X	X	75	-	-	X	X	X
1.3. Other loans:	211	-	-	X	X	X	185	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	211	-	-	X	X	X	185	-	-	X	X	X
2. Debt securities	**640**	**-**	**-**	**408**	**167**	**10**	**522**	**-**	**-**	**351**	**170**	**10**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	640	-	-	408	167	10	522	-	-	351	170	10
Total	**4,573**	**-**	**-**	**408**	**167**	**3,943**	**4,055**	**-**	**-**	**351**	**170**	**3,543**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The balance of the item "2.2 Other debt securities" includes the subscription, by the Cassa Centrale Group, of the subordinated bond issued by Carige at an annual rate of 8.25%. This subordinated loan was subscribed by Cassa Centrale Banca and its Affiliated Banks for a nominal value of EUR 100 million.

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

TYPE OF TRANSACTIONS/ VALUES	Total 30/06/2022						Total 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. LOANS	**46,710**	**658**	**-**	**-**	**-**	**48,138**	**45,075**	**758**	**-**	**-**	**224**	**46,808**
1.1. Current accounts	3,682	72	-	X	X	X	3,367	84	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	37,571	537	-	X	X	X	36,599	621	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,021	6	-	X	X	X	909	8	-	X	X	X
1.5. Financing for leases	708	15	-	X	X	X	675	15	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	3,728	28	-	X	X	X	3,525	30	-	X	X	X
2. DEBT SECURITIES	**27,228**	**-**	**-**	**25,801**	**61**	**303**	**25,362**	**-**	**-**	**25,497**	**114**	**341**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	27,228	-	-	25,801	61	303	25,362	-	-	25,497	114	341
Total	**73,938**	**658**	**-**	**25,801**	**61**	**48,441**	**70,437**	**758**	**-**	**25,497**	**338**	**47,149**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Loans to customers are shown net of value adjustments from write-downs. Impaired assets include the impaired loans, unlikely to pay and past due exposures according to Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates. Details of these exposures, the amounts and the breakdown of the value adjustments, are shown in Part E of the Explanatory Notes – Credit quality. The fair value of short-term or revocable receivables was conventionally assumed to be equal to the carrying amount.

For impaired positions, the fair value was deemed to be equal to the net book value on the basis of the considerations set out in Part A, Section A.4 Information on fair value, to which reference is made.

The item "2.2. Other debt securities" includes senior securities relating to securitisation transactions for approximately EUR 279 million classified at fair value level 3.

Loans to customers include loans from third-party funds under administration with risk borne by the Group amounting to approximately EUR 124 million.

The item "1.3 Mortgages" as at 31 December 2021 increased slightly, partly due to the provision of state-backed loans.

4.4 Financial assets measured at amortised cost: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	27,851	283	67	1	-	6	44	1	-	-
Loans	44,224	-	7,002	2,736	-	206	377	2,078	-	276
Total 30/06/2022	**72,075**	**283**	**7,069**	**2,737**	**-**	**212**	**421**	**2,079**	**-**	**276**
Total 31/12/2021	**69,108**	**330**	**6,009**	**2,876**	**-**	**233**	**392**	**2,118**	**-**	**297**

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A – Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E – Information on risks and related hedging policies.

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4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. EBA-compliant moratoria loans	18	-	4	1	-	-	1	1	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	7	-	2	-	-	-	-	-	-	-
3. Other loans with COVID-19-related forbearance measures	-	-	2	3	-	-	-	2	-	-
4. Newly originated loans	4,990	-	995	96	-	16	28	43	0	-
Total 30/06/2022	**5,015**	**-**	**1,003**	**100**	**-**	**16**	**29**	**46**	**-**	**-**
Total 31/12/2021	**5,099**	**-**	**731**	**102**	**-**	**27**	**38**	**49**	**-**	**-**

The loans included in the first three items of the table refer for a total value of approximately EUR 37 million to loans subject to the Covid-19 Eba Compliant moratorium at the date of granting with a repayment schedule still suspended as at 30 June 2022.

The above table does not include the approximate EUR 24 million attributable to moratorium loans granted on the banks' initiative which do not meet the requirements to be classified as EBA compliant or loans subject to other forbearance measures.

The new loans represented under item no. 4 constitute new liquidity granted through public guarantee mechanisms.

Section 7 – Equity investments – Item 70

This section includes the equity investments in companies under joint control or subject to a significant influence (IAS 28 and IFRS 11).

At the end of the reporting period, the value of the equity investments amounted to EUR 70 million, relating:

- to "significant" equity investments totalling EUR 45 million (as represented in the following table 7.2);
- to "non significant" equity investments totalling EUR 25 million.

The scope of 'significant equity investments' was determined by considering the materiality of the carrying amount of the investment and the share of the investee's assets with respect to the homogeneous balances relating to the current financial statements.

7.1 Equity investments: information on type of relationship

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	8.49	8.49
				CASSA RURALE ALTO GARDA - ROVERETO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.22	7.22
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.18	7.18
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	4.08	4.08
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.27	3.27
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.14	3.14

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.96	2.96
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	5.17	5.17
					47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.89	7.89
				CASSA RURALE ALTO GARDA - ROVERETO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.00	6.00
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.00	5.00
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.71	3.71
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE DI ROVERETO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	6.96	6.96
					47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
					30.37	30.37
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	19.5	19.5
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
					29.17	29.17
SENIO ENERGIA S.r.l.	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	CASSA RURALE ADAMELLO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	24.76	24.76
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	24.51	24.51
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of relationship.

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A – Accounting policies of these Explanatory Notes.

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

NAME	Book value	Fair value	Dividends received
A. JOINTLY CONTROLLED COMPANIES			
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	20	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE			
CABEL HOLDING S.p.A.	9	-	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A.	7	-	-
ASSICURA S.r.l.	6	-	-
Total	**42**	**-**	**-**

Section 9 – Tangible assets – Item 90

9.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 30/06/2022	Total 31/12/2021
1. ASSETS OWNED	**959**	**961**
a) land	142	147
b) buildings	677	673
c) furniture	53	52
d) electronic systems	32	34
e) other	55	55
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**121**	**120**
a) land	3	-
b) buildings	113	116
c) furniture	-	-
d) electronic systems	3	3
e) other	2	1
Total	**1,080**	**1,081**
of which: obtained through the enforcement of guarantees received	5	5

9.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

ASSETS/VALUES	Total 30/06/2022				Total 31/12/2021			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. ASSETS OWNED	**72**	**-**	**-**	**77**	**75**	**-**	**-**	**86**
a) land	21	-	-	22	23	-	-	26
b) buildings	51	-	-	55	52	-	-	60
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**1**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	1	-	-	1	-	-	-	-
Total	**73**	**-**	**-**	**78**	**75**	**-**	**-**	**86**
of which: obtained through the enforcement of guarantees received	36	-	-	36	37	-	-	37

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.3 Tangible assets for business use: breakdown of the revalued assets

ASSETS/VALUES	Total 30/06/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**3**	**-**	**-**	**3**
a) land	-	-	1	-	-	1
b) buildings	-	-	2	-	-	2
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**3**	**-**	**-**	**3**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.4 Tangible assets held for investment purposes: breakdown of the assets measured at fair value

ASSETS/VALUES	Total 30/06/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**11**	**-**	**-**	**12**
a) land	-	-	-	-	-	2
b) buildings	-	-	11	-	-	10
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**11**	**-**	**-**	**12**
of which: obtained through the enforcement of guarantees received	-	-	1	-	-	1

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

9.5 Inventories of tangible assets disciplined by IAS 2: breakdown

ASSETS/VALUES	Total 30/06/2022	Total 31/12/2021
1. INVENTORIES OF ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED	**42**	**44**
a) land	33	28
b) buildings	9	16
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. OTHER INVENTORIES OF TANGIBLE ASSETS	**31**	**30**
Total	**73**	**74**
of which: measured at fair value net of costs to sell	-	-

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 30/06/2022		Total 31/12/2021	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
A.1 GOODWILL	**X**	**28**	**X**	**28**
A.1.1 pertaining to the Group	X	28	X	28
A.1.2. pertaining to minority interests	X	-	X	-
A.2 OTHER INTANGIBLE ASSETS	**50**	**-**	**55**	**-**
of which: software	23	-	26	-
A.2.1 Assets measured at cost:	50	-	55	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	50	-	55	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**50**	**28**	**55**	**28**

In compliance with the relevant accounting regulations:

- all the intangible assets are measured at cost;
- no amortisation has been calculated for intangible assets with an indefinite life.

No internally generated intangible assets were posted.

Disclosure on impairment test on goodwill

As provided for by IAS 36 Impairment of Assets, goodwill is subject to impairment testing at least once a year.

However, following the analysis of the trigger events conducted in response to the potential risks and impacts arising from geopolitical tensions relating to the war in Ukraine, it was deemed necessary to conduct impairment tests on Cash Generating Units (CGU) for the purposes of the Consolidated half-yearly financial statements at at 30 June 2022.

Consolidated goodwill, whose value before impairment testing was EUR 28 million, mainly relates to acquisitions of the company Nord Est Asset Management S.A. (hereinafter also "NEAM") and the Assicura Group in previous years.

The procedures relating to the impairment test of goodwill include the following steps:

- identification of the cash generating units (hereinafter also 'CGUs');
- determination of the carrying amount of the CGUs;
- determination of the recoverable amount of the CGUs, after identifying the most appropriate valuation models and parameters for determining the fair value (hereinafter also "FV") and value in use of the CGUs;
- comparison between the carrying amount and recoverable amount of the individual CGUs.

Sensitivity analyses were also carried out on the recoverable amount of the CGUs to changes in certain parameters relevant to the valuation.

Detailed information on the impairment test of consolidated goodwill as at 30 June 2022 is provided below.

Identification of Cash Generating Units (CGUs)

According to IAS 36, if, as in the case of goodwill, it is not possible to determine directly the recoverable amount of the specific asset recorded in the financial statements (because the asset itself does not produce autonomous cash flows), the recoverable amount of the cash generating unit (CGU) to which the asset belongs must be determined.

The CGU is defined by IAS 36 as "the smallest identifiable group of assets that generates cash inflows largely independent of cash inflows from other assets, or groups of assets".

In order to identify the cash generating units to which to assign the assets to be tested for impairment, it is necessary that the identified CGUs generate cash inflows that are largely independent of those deriving from other identified units. In this sense, with a view to identifying the CGUs, the internal organisation and the management and control methods of the business are extremely important.

In relation to the above, the following CGUs have been identified for the purpose of impairment testing of the Cassa Centrale Group's consolidated goodwill:

- **asset management**, which includes the asset management services currently provided by the Luxembourg-based company NEAM;
- **insurance**, which includes the offer of insurance services to customers and corresponds to the sum of the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura").

The table below shows the values of goodwill as at 30 June 2022, subject to impairment test, allocated to the two CGUs in question.

(Figures in millions of euro)

CASH GENERATING UNIT (CGU)	Goodwill
- Asset management	21
- Insurance	5
Total	**26**

It should be noted that the goodwill item in the consolidated financial statements, amounting to EUR 28 million prior to the impairment test, includes residual goodwill of approximately EUR 2 million recorded in the separate financial statements of certain Affiliated Banks and mainly attributable to the merger by incorporation of other Affiliated Banks which took place before the launch of the Group and for which the impairment test in accordance with IAS 36, which did not give rise to value adjustments, was carried out independently by each of these Banks.

Determination of the carrying amount of the CGUs

The carrying amount of the two CGUs identified was determined by calculating their carrying amount in the Consolidated Financial Statements as at 30 June 2022. The above carrying amount, in substance, was determined considering the contribution to the consolidation of the CGUs in terms of equity, goodwill and intangible assets with a definite useful life net of the related deferred tax liabilities.

The carrying amounts as at 30 June 2022 are shown below.

(Figures in millions of euro)

CGU	Carrying amount in the consolidated financial statements
- Asset management	52
- Insurance	22

In relation to the table above, please note that:

- the consolidated carrying amount of the Asset Management CGU includes, in addition to goodwill of EUR 21 million (already 100%), intangible assets with a definite useful life of EUR 1 million net of tax effect;
- the consolidated carrying amount of the Insurance CGU includes, in addition to goodwill of EUR 5 million (already 100%), intangible assets with a definite useful life of EUR 1.4 million net of tax effect.

In relation to the above, it emerges that in addition to the consolidated goodwill, intangible assets with a definite useful life, as described above, have also been tested for recoverability.

Determination of the recoverable amount of the CGUs

The carrying amount of the identified CGUs was tested for impairment by comparing it with their recoverable amount. In accordance with IAS 36, para. 6, the recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The Cassa Centrale Group has estimated the recoverable amount of the two CGUs using the value in use method. In this regard, the value in use of the Asset Management and Insurance CGUs was higher than their carrying amount and therefore, in accordance with IAS 36 para. 19, no other amount would need to be estimated as fair value.

For further information, the methods used to determine the value in use of the various CGUs identified are described below, together with the relative balances that emerged.

CGU Asset management: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income.

In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

In addition to the analytical income method, the "regression analysis" method, which estimates a fair value for the CGU (although this was not strictly necessary, according to paragraph 19 of IAS 36, as the value in use is already greater than the carrying amount), was used as additional evidence and control. This method estimates the economic capital of the company being valued on the basis of the correlation between the prospective return on capital and the related premium or discount expressed by stock market prices compared to equity for a sample of comparable listed companies.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows

  The analytical income method was constructed from figures taken from the 2022-2025 business plan approved by the Board of Directors of Cassa Centrale Banca on 30 June 2022 and from figures taken from the 2022 budget proposal approved by the Board of Directors of NEAM on 14 December 2021.

- Discount rate (Ke)

  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 9.8%.

  The above rate (calculated before tax) was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$.

  However, it is noted that, overall, the use of precise parameters, instead of an average over a longer time horizon that takes into account an add-on factoring in the greater risk of the current market environment, results in valuations that are considered more conservative without entailing significant deviations, in absolute terms, in the results obtained from the two metrics.

  In detail, the Cost of Equity (as mentioned, equal to 9.8%) was determined on the basis of the following parameters:

  - risk-free rate (Rf), equal to 3.3%, corresponds to the gross rate of return on 10-year Treasury Bonds issued by the Italian State at the date of updating of the parameters;
  - beta coefficient (β), equal to 1.2, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%, in line with valuation practice for the relevant market;

- Long-term growth rate (g) and Terminal Value (TV).

  The income method was developed on the basis of the adjusted net profit in order to exclude the profitability deriving from the asset management invested in NEAM by Cassa Centrale Banca and prudently excludes the profitability deriving from the assets managed on behalf of banks belonging to the ICCREA Banking Group. The normal net income expected for the definition of the Terminal Value also takes into account the considerations outlined above.

  A growth rate "g" of 2.0% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate.

With reference to the "Regression Analysis", this was set up by relating the P/AuM multiple to the RoAuM from a sample of comparable listed companies operating in the Asset Management sector and led to a higher value than the carrying amount of the CGU.

Based on the analytical income method described above, this results in a recoverable amount for the Asset Management CGU of approximately EUR 64 million, which fully supports the carrying amount of the CGU in the consolidated financial statements of approximately EUR 52 million. For further details, please refer to the following paragraph "Comparison between the carrying amount and recoverable amount of the CGU: results of the impairment test".

CGU Insurance: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income. In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows

  The calculation of cash flows is based on the present value of the company's future net income and was constructed from figures taken from the 2022-2025 business plan approved by the Board of Directors of Cassa Centrale Banca on 30 June 2022 and from figures taken from the 2022 budget proposal approved by the Board of Directors of Assicura on 17 December 2021.

- Discount rate (Ke)

  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 8.0%.

  The above rate (calculated before tax) was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$.

  However, it is noted that, overall, the use of precise parameters, instead of an average over a longer time horizon that takes into account an add-on factoring in the greater risk of the current market environment, results in valuations that are considered more conservative without entailing significant deviations, in absolute terms, in the results obtained from the two metrics.

In detail, the Cost of Equity (as mentioned, equal to 8.0%) was determined on the basis of the following parameters:

- risk-free rate (Rf), equal to 3.3%, corresponds to the gross rate of return on 10-year Treasury Bonds issued by the Italian State at the date of updating of the parameters;
- beta coefficient (β), equal to 0.9, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
- equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%, in line with valuation practice for the relevant market;

- Long-term growth rate (g) and Terminal Value (TV)

  The normal net income expected for the definition of the Terminal Value has been identified on the basis of the net income realised by Assicura in the last year of the analytical forecast.

  A long term growth rate "g" of 2.0% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate.

Based on the method described above, this results in a recoverable amount for the Insurance CGU of EUR 133 million, which fully supports the carrying amount of the CGU in the consolidated financial statements of EUR 22 million. For further details, please refer to the following paragraph "Comparison between the carrying amount and recoverable value of the CGU: results of the impairment test".

Comparison between the carrying amount and recoverable amount of the CGU: results of the impairment test

Following the comparison between the carrying amount and the recoverable amount (value in use) of the individual CGUs, the impairment test as at 30 June 2022 showed the following results:

CGU (Figures in millions of euro)	Book value (a)	Recoverable amount (value in use) (b)	Difference (c)=(b)-(a)	Impairment attributable to the Group (d)
Asset management	52	64	12	-
Insurance	22	133	111	-
Total				**-**

As shown in the table above, no impairment loss on goodwill was recognised in respect of the Asset Management and Insurance CGUs, as their recoverable amount is higher than their carrying amount at the consolidated financial statements reporting date.

As a result of the checks described above, residual consolidated goodwill as at 30 June 2022 amounted to EUR 28 million and therefore remained unchanged compared to 31 December 2021.

Sensitivity analysis

Finally, sensitivity analyses were carried out on the value in use of the CGUs identified with respect to the market parameters used ("Ke" and "g"). The analyses carried out show a variation:

- in the recoverable amount of the Asset Management CGU as a result of changes in the parameters considered:
    - equal to EUR -1.9 million in correspondence with an increase in "Ke" of +25 bps;
    - equal to EUR 2.0 million in correspondence with a decrease in "Ke" of -25 bps;
    - equal to EUR 1.7 million in correspondence with an increase in "g" of +25 bps;
    - equal to EUR -1.6 million in correspondence with a decrease in "g" of -25 bps.
- in the recoverable amount of the Insurance CGU as a result of changes in the parameters considered:
    - equal to EUR -5.3 million in correspondence with an increase in "Ke" of +25 bps;
    - equal to EUR 5.8 million in correspondence with a decrease in "Ke" of -25 bps;
    - equal to EUR 5.0 million in correspondence with an increase in "g" of +25 bps;
    - equal to EUR -4.6 million in correspondence with a decrease in "g" of -25 bps.

Therefore, even in the worst-case scenarios estimated through the sensitivity analyses detailed above, the value in use would be higher than the carrying amount of the CGUs in the consolidated financial statements, confirming the recoverable amount of the latter.

Section 11 – Tax assets and tax liabilities – Item 110 of assets and item 60 of liabilities

11.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	30/06/2022		
	IRES	IRAP	Total
Loans	405	56	461
Tangible fixed assets	10	1	11
Provisions for risks and charges	70	9	79
Tax losses	7	-	7
Administrative expenses	-	-	-
Other items	13	2	15
Total	**505**	**68**	**573**

THROUGH EQUITY	30/06/2022		
	IRES	IRAP	Total
Negative reserves for HTCS financial assets	75	16	91
Severance indemnity (TFR)	2	-	2
Other items	-	-	-
Total	**77**	**16**	**93**

The item "Loans" in the table above shows Deferred Tax Assets (or "DTA") mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree no. 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (known as "Qualified DTAs") of EUR 431 million. With the recent regulatory intervention of art. 42, paragraph 1 of Decree-Law no. 17 of 1 March 2022 converted by Law no. 34 of 27 April 2022, the multi-year plan for the recovery of value adjustments on loans already not deducted as at 31 December 2015 was restructured. This plan is also associated with the discharge of the related registered DTAs;
- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 28 million (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to customers.

The "other items" in the table above include deferred tax assets arising from misalignments between statutory and tax items arising from IFRS 3 business combinations for EUR 8 million.

It should be noted that, with specific reference to the aforementioned qualified DTAs on write-downs and losses on loans to customers and goodwill, the maintenance of their convertibility into tax credits is subject to the payment of the fee, where due, pursuant to Law Decree no. 59 of 3 May 2016, amended and converted into law by Law no. 15 of 17 February 2017.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans, goodwill and intangible assets into tax credits, in giving "certainty" to the recovery of qualified DTAs, affect the "probability test" provided for by IAS 12, making it automatically satisfied for this particular type.

Information on the deferred tax assets probability test

According to paragraph 5 of IAS 12, deferred tax assets are defined as the amount of income taxes for the year that may be recovered in future years with regard to the following scenarios:

- deductible temporary differences;
- carry-over of unused tax losses (and also of ACE);
- carry-over of unused tax credits.

With particular reference to "temporary differences", these are defined as differences that are formed transiently between the carrying amount of assets (liabilities) and their tax value. These are defined as "deductible" when they generate amounts that can be deducted in determining future taxable income in connection with the realisation of assets (settlement of liabilities).

In the presence of a deductible temporary difference, paragraph 24 of IAS 12 provides for the recognition in the financial statements of a deferred tax asset - equal to the product of the deductible temporary difference and the expected tax rate in the year in which it will be paid - only if and to the extent that it is probable that there will be future taxable income against which the deductible temporary differences can be used (known as probability test). In fact, the economic benefit of reducing future tax payments is only achievable if the taxable income is a large amount (IAS 12, para. 27).

Having said this, the Group has deferred tax assets (DTA) of EUR 666 million in its Balance sheet. Of these, EUR 431 million fall within the scope of Law no. 214/2011 and, therefore, for that already described, are considered "qualified" DTA (and therefore of certain recoverability).

With regard to the remaining portion of DTAs (those that cannot be converted into tax credits) amounting to EUR 235 million, there are no critical elements based on the evidence resulting from the probability test.

11.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	30/06/2022		
	IRES	IRAP	Total
Tangible fixed assets	1	-	1
Capital gains by instalments	-	-	-
Other items	9	-	9
Total	**10**	**-**	**10**

THROUGH EQUITY	30/06/2022		
	IRES	IRAP	Total
Positive reserves for HTCS financial assets	12	7	19
Other items	1	-	1
Total	**13**	**7**	**20**

Deferred tax liabilities as a contra-entry to the income statement mainly relate to:

- revaluations of tangible fixed assets made during the transition to international accounting standards;
- misalignments between statutory and tax items arising from the application of business combinations pursuant to IFRS 3 carried out in previous years.

Deferred taxes refer mainly to revaluations of Financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

Liabilities

Section 1 – Financial liabilities measured at amortised cost – Item 10

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

TYPE OF TRANSACTIONS/VALUES	Total 30/06/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**15,894**	**X**	**X**	**X**	**15,948**	**X**	**X**	**X**
2. DUE TO BANKS	**985**	**X**	**X**	**X**	**663**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	491	X	X	X	467	X	X	X
2.2 Fixed-term deposits	99	X	X	X	83	X	X	X
2.3 Loans	370	X	X	X	92	X	X	X
2.3.1 Repos payables	288	X	X	X	10	X	X	X
2.3.2 Others	82	X	X	X	82	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	10	X	X	X	7	X	X	X
2.5 Payables for leases	12	X	X	X	12	X	X	X
2.6 Other payables	3	X	X	X	2	X	X	X
Total	**16,879**	**-**	**-**	**16,879**	**16,611**	**-**	**-**	**16,611**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost, included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The item "1. DUE TO CENTRAL BANKS" mainly consists of funding transactions at negative rates with the ECB. For detailed information on TLTRO III loan transactions, please refer to Part A, Section 5 - Other Aspects of these Explanatory Notes.

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

TYPE OF TRANSACTIONS/VALUES	Total 30/06/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	58,931	X	X	X	58,289	X	X	X
2. Fixed-term deposits	2,024	X	X	X	2,070	X	X	X
3. Loans	3,150	X	X	X	271	X	X	X
3.1 Repos payables	2,963	X	X	X	92	X	X	X
3.2 Other	187	X	X	X	179	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	107	X	X	X	105	X	X	X
6. Other payables	678	X	X	X	653	X	X	X
Total	**64,890**	**-**	**-**	**64,890**	**61,388**	**-**	**-**	**61,388**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The increase in the sub-item "3.1 Repos payables" refers to operations conducted by the Parent Company with Cassa Compensazione e Garanzia for approximately EUR 2,934 million.

The sub-item "6. Other payables" mainly includes credit card and cheque debts.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 30/06/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. bonds	791	-	790	-	1,165	-	1,161	6
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	791	-	790	-	1,165	-	1,161	6
2. other securities	2,268	-	45	2,223	2,570	-	40	2,530
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	2,268	-	45	2,223	2,570	-	40	2,530
Total	**3,059**	**-**	**835**	**2,223**	**3,735**	**-**	**1,201**	**2,536**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes issued securities measured at amortised cost. Securities that at the end of the reporting period are expired but still not repaid are included. The portion of own issue debt securities not yet placed with third parties is excluded.

The fair value valuation of the debt securities in issue in the table above, presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The sub-item "A.2.2 Securities - other" mainly comprises certificates of deposit.

The reduction to the sub-item "A.1.2 Bonds - other" is mainly due to fixed-rate bonds repaid on maturity.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 30/06/2022					Total 31/12/2021				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	4	-	X	X	-	3	-	X
1.1 Trading	X	-	4	-	X	X	-	3	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**4**	**-**	**X**	**X**	**-**	**3**	**-**	**X**
Total (A+B)	**X**	**-**	**4**	**-**	**X**	**X**	**-**	**3**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value* = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue.

Section 3 – Financial liabilities designated at fair value – Item 30

3.1 Financial liabilities designated at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 30/06/2022					Total 31/12/2021				
	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 given	-	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 given	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	1	-	1	-	1	1	-	1	-	1
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	1	-	1	-	X	1	-	1	-	X
Total	1	-	1	-	1	1	-	1	-	1

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value* = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue.

This item includes the financial liabilities for which the so-called Fair Value Option has been exercised. In this regard, it should be noted that the aforementioned Fair Value Option was exercised mainly in relation to debt instruments containing an implicit derivative for which it was considered that the fair value measurement of the entire instrument was less costly than the separate measurement and presentation in the financial statements of the main instrument and derivative.

The illustration of the criteria to determine the fair value is reported in Part A - Accounting policies.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	Total 30/06/2022	Total 31/12/2021
1. Provision for credit risk relative to commitments and financial guarantees given	**137**	137
2. Provision for other commitments and guarantees given	**-**	-
3. Post-employment benefits	**-**	-
4. Other provisions for risks and charges	**231**	218
4.1 Legal and tax disputes	38	39
4.2 Personnel expenses	56	59
4.3 other	137	120
Total	**368**	**355**

The item "1. Provision for credit risk relative to commitments and financial guarantees given" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders' meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) is based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest (subsequently reduced to approximately EUR 11.1 million), based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The three lawsuits, which were joined in a single proceeding, were settled with a judgement published on 26 November 2021.

The Court of Genoa dismissed the claims for damages brought by Malacalza Investimenti S.r.l., Malacalza Vittorio and the other 42 shareholders and confirmed the validity of the resolution as: (i) there was no violation of the principle of accounting parity; (ii) the exclusion of the shareholders' pre-emptive right took place in the presence of a significant corporate interest; (iii) the issue price of the new shares was determined in accordance with the criteria provided for by corporate law. The losing parties were ordered to pay the legal costs in favour of the defendants.

Malacalza Investimenti S.r.l., Malacalza Vittorio and only 5 small shareholders out of the initial 42 appealed against the judgement (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined. The first hearing has been postponed to 14 December 2022.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and charges.

10.3 Provision for credit risk relative to commitments and financial guarantees given

	Provision for credit risk relative to commitments and financial guarantees given				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired**	**Total**
Commitments to disburse funds	58	21	20	-	99
Financial guarantees given	2	1	35	-	38
Total	**60**	**22**	**55**	**-**	**137**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9, including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A - Accounting policies, paragraph “15.5 Methods of recognition of impairment losses” and Part E - Information on risks and related hedging policies.

Section 13 – Group equity – Items 120, 130, 140, 150, 160, 170 and 180

13.1 “Capital” and “Own shares”: breakdown

As described in Part A - Accounting Policies, Section 3 - Scope and methods of consolidation, in application of Law no. 145 of 30 December 2018 (so-called Budget Law 2019) the Parent Company Cassa Centrale Banca and the Affiliated Banks under the Cohesion Contract constitute a single consolidating entity.

In the composition of the Group’s equity, the share capital is consequently made up of the Parent Company’s share capital and the share capital of the Affiliated Banks.

The share capital of the Parent Company, equal to EUR 952,031,808, comprises 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

At the end of the reporting period, the capital of the Affiliated Banks belonging to the Cassa Centrale Group amounted to approximately EUR 322 million. The share capital of the Affiliated Banks is, according to their Articles of Association, variable, and consists of shares that can be issued, in principle, without limit.

As at 30 June 2022, the own shares in circulation amounted to approximately EUR 867 million and are mainly attributable to the shares of Cassa Centrale Banca held by the Affiliated Banks belonging to the Group.

13.2 Capital - Number of Parent Company shares: annual changes

ITEMS/TYPES	Ordinary	Other
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. OUTSTANDING SHARES: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

Other information

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				Total 30/06/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. COMMITMENTS TO DISBURSE FUNDS	**12,062**	**554**	**97**	**-**	**12,713**	**13,133**
a) Central Banks	-	-	-	-	-	-
b) Public bodies	235	11	-	-	246	299
c) Banks	748	35	-	-	783	809
d) Other financial companies	142	17	-	-	159	150
e) Non-financial companies	8,797	412	83	-	9,292	9,719
f) Households	2,140	79	14	-	2,233	2,156
2. FINANCIAL GUARANTEES GIVEN	**1,364**	**107**	**46**	**-**	**1,517**	**1,430**
a) Central Banks	-	-	-	-	-	-
b) Public bodies	6	-	-	-	6	6
c) Banks	39	1	-	-	40	42
d) Other financial companies	32	1	-	-	33	31
e) Non-financial companies	945	94	41	-	1,080	1,005
f) Households	342	11	5	-	358	346

This table shows the commitments to disburse funds and the financial guarantees given which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees given that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees given that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

PART C - Information on the Consolidated Income Statement

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar revenues: breakdownI

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 30/06/2022	Total 31/12/2021
1. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**2**	**-**	**2**	**2**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	2	-	2	2
2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**75**	**-**	**X**	**75**	**16**
3. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**314**	**538**	**-**	**852**	**646**
3.1 Loans to banks	6	1	X	7	7
3.2 Loans to customers	308	537	X	845	639
4. HEDGING DERIVATIVES	**X**	**X**	**(1)**	**(1)**	**-**
5. OTHER ASSETS	**X**	**X**	**13**	**13**	**1**
6. FINANCIAL LIABILITIES	**X**	**X**	**X**	**72**	**76**
Total	**389**	**540**	**12**	**1,013**	**741**
of which: interest income from impaired financial assets	-	22	-	22	21
of which: interest income from finance lease	X	8	X	8	8

Item “5. Other assets” includes revenues from the purchase of tax credits.

Item “6. Financial liabilities” comprises interest income accrued on funding transactions at negative rates. For detailed information on TLTRO III loan transactions, please refer to Part A - Accounting Policies, Section 5 - Other Aspects.

The line "of which: interest income from impaired financial assets" shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates exclusively to loans to customers. Interest income also includes interest from securities used in repo transactions.

Items "2. Financial assets measured at fair value through other comprehensive income" and "3. Financial assets measured at amortised cost" mainly include interest income for a total value of around EUR 326 million, attributable to investments in inflation-linked government securities established by "BTP ITALIA" for a total exposure of approximately EUR 5,644 million. The securities in question guarantee the investor a return linked to Italian inflation, which provides protection against an increase in the price level: both the principal and the coupons paid on a six-monthly basis are, in fact, revalued on the basis of Italian inflation measured by ISTAT through the Consumer price index families of manual workers and employees (so-called "FOI"), generally used to quantify the monetary revaluations of the securities. Inflation index parameters were mainly activated during 2022, providing a significant additional contribution to the interest margin compared to the base yield of the issues.

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Debts	Securities	Other transactions	Total 30/06/2022	Total 30/06/2021
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**(41)**	**(16)**	**X**	**(57)**	**(63)**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(1)	X	X	(1)	(1)
1.3 Due to customers	(40)	X	X	(40)	(39)
1.4 Debt securities in issue	X	(16)	X	(16)	(23)
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
3. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**
4. OTHER LIABILITIES AND PROVISIONS	**X**	**X**	**-**	**-**	**-**
5. HEDGING DERIVATIVES	**X**	**X**	**(3)**	**(3)**	**(4)**
6. FINANCIAL ASSETS	**X**	**X**	**X**	**(10)**	**(9)**
Total	**(41)**	**(16)**	**(3)**	**(70)**	**(76)**
of which: interest expense on payables for leases	(1)	X	X	(1)	-

Items "1.2 Due to banks" and "1.3 Due to customers" also include interest on repos, even if carried out against securities recorded as assets.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 30/06/2022	Total 30/06/2021
a) Financial instruments	63	57
1. Placement of securities	-	-
1.1 With direct underwriting and/or on a firm commitment basis	-	-
1.2 Without a firm commitment basis	-	-
2. Order receipt and transmission and execution of orders on behalf of customers	9	8
2.1 Order receipt and transmission of one or more financial instruments	9	8
2.2. Execution of orders on behalf of customers	-	-
3. Other commissions connected with activities related to financial instruments	54	49
of which: dealing for own account	-	-
of which: individual portfolio management	35	29
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	1	-
d) Offsetting and settlement	-	-
e) Collective portfolio management	32	28
f) Custody and administration	2	2
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	2	2
g) Central administrative services for collective portfolio management	-	-
h) Trust business	-	-
i) Payment services	185	161
1. Current accounts	68	69
2. Credit cards	12	9
3. Debit and other payment cards	31	26
4. Bank transfers and other payment orders	23	19
5. Other commissions related to payment services	51	38

TYPE OF SERVICES/VALUES	Total 30/06/2022	Total 30/06/2021
j) Distribution of third party services	46	55
1. Collective portfolio management	-	-
2. Insurance products	42	48
3. Other products	4	7
of which: individual portfolio management	-	1
k) Structured finance	-	-
l) Servicing activities for securitisation operations	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	8	8
of which: credit derivatives	-	-
o) Financing transactions	59	56
of which: for factoring operations	-	-
p) Foreign currency trading	1	-
q) Goods	-	-
r) Other fees and commissions income	21	13
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	**418**	**380**

At the end of the reporting period, the Group does not have significant amounts of commission income (other than the amounts included in the calculation of the effective interest rate) from financial assets not measured at fair value through profit or loss in accordance with IFRS 7, paragraph 20, letter c(i).

It should also be noted that the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15, paragraph 116 b)).

2.2 Fees and commissions expense: breakdown

SERVICES/VALUES	Total 30/06/2022	Total 30/06/2021
a) Financial instruments	(6)	(6)
of which: trading of financial instruments	(1)	(1)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(5)	(5)
- Own	(5)	(5)
- Delegated to third parties	-	-
b) Offsetting and settlement	-	(1)
c) Management of collective portfolios	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(8)	(7)
e) Collection and payment services	(29)	(21)
of which: credit cards, debit cards and other payment cards	(11)	(8)
f) Servicing activities for securitisation operations	(1)	(1)
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: credit derivatives	-	-
i) Out-of-branch offer of financial instruments, products and services	(4)	(4)
l) Foreign currency trading	-	-
m) Other fees and commissions expenses	(9)	(3)
Total	**(57)**	**(43)**

At the end of the reporting period, the Group does not have significant amounts of commission expense (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value through profit or loss (IFRS 7, paragraph 20, letter c (i)).

Section 3 – Dividend and similar income – Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 30/06/2022		Total 30/06/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	1	-	1
C. Financial assets designated at fair value through other comprehensive income	2	-	1	-
D. Equity investments	-	-	-	-
Total	**2**	**1**	**1**	**1**

Section 4 – Net result from trading – Item 80

4.1 Net profit (loss) on 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	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
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. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
4. DERIVATIVE INSTRUMENTS	**86**	**2**	**(85)**	**(2)**	**9**
4.1 Financial derivatives:	86	2	(85)	(2)	9
- On debt securities and interest rates	86	2	(85)	(2)	1
- On equity securities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	8
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**86**	**2**	**(85)**	**(2)**	**9**

Section 5 – Net result from hedging – Item 90

5.1 Net profit (loss) on hedge accounting: breakdown

INCOME COMPONENTS/VALUES	Total 30/06/2022	Total 30/06/2021
A. INCOME RELATED TO:		
A.1 Fair value hedging derivatives	102	18
A.2 Hedged financial assets (fair value)	1	2
A.3 Hedged financial liabilities (fair value)	1	-
A.4 Cash flow hedge derivatives	-	1
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging (A)	**104**	**21**
B. CHARGES RELATED TO:		
B.1 Fair value hedging derivatives	(1)	(1)
B.2 Hedged financial assets (fair value)	(104)	(19)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	5	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging (B)	**(100)**	**(20)**
C. NET RESULT FROM HEDGING (A - B)	**4**	**1**
of which: result of net positions hedging	-	-

The Group avails itself of the possibility, provided for in the introduction of IFRS 9, to continue to apply in full the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge. As a consequence, in the table above, the row "of which: result of net positions hedging" provided for those who apply IFRS 9 also for hedging, is not valued.

Section 6 – Profit (loss) from disposal/repurchase – Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 30/06/2022			Total 30/06/2021		
	Profit	Loss	Net result	Profit	Loss	Net result
A. FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	66	(10)	56	161	(22)	139
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	66	(10)	56	161	(22)	139
2. Financial assets designated at fair value through other comprehensive income	41	(26)	15	22	(1)	21
2.1 Debt securities	41	(26)	15	22	(1)	21
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**107**	**(36)**	**71**	**183**	**(23)**	**160**
B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 – Net result of other financial assets and liabilities measured at fair value through profit or loss – Item 110

7.1 Net change in value of other financial assets and liabilities designated at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**3**	**-**	**(3)**	**-**	**-**
1.1 Debt securities	3	-	(3)	-	-
1.2 Loans	-	-	-	-	-
2. FINANCIAL LIABILITIES	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**3**	**-**	**(3)**	**-**	**-**

7.2 Net change in value of other financial assets and liabilities designated at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**5**	**1**	**(40)**	**(2)**	**(36)**
1.1 Debt securities	-	-	(1)	-	(1)
1.2 Equities	-	-	(3)	(1)	(4)
1.3 UCITS units	1	1	(24)	(1)	(23)
1.4 Loans	4	-	(12)	-	(8)
2. FINANCIAL ASSETS: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**5**	**1**	**(40)**	**(2)**	**(36)**

Trading profit (loss) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

Section 8 – Net value adjustments/write-backs due to credit risk – Item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 30/06/2022	Total 30/06/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. LOANS TO BANKS	**(5)**	**(1)**	**-**	**-**	**-**	**-**	**14**	**-**	**-**	**-**	**8**	**2**
- Loans	(5)	(1)	-	-	-	-	4	-	-	-	(2)	3
- Debt securities	-	-	-	-	-	-	10	-	-	-	10	(1)
B. LOANS TO CUSTOMERS	**(55)**	**(148)**	**(2)**	**(380)**	**-**	**-**	**70**	**146**	**300**	**-**	**(69)**	**(115)**
- Loans	(53)	(147)	(2)	(380)	-	-	69	146	300	-	(67)	(113)
- Debt securities	(2)	(1)	-	-	-	-	1	-	-	-	(2)	(2)
Total	**(60)**	**(149)**	**(2)**	**(380)**	**-**	**-**	**84**	**146**	**300**	**-**	**(61)**	**(113)**

Value adjustments, reported under the column "Stage 3 - Other", relate to analytical write-downs of loans, while those reported under the column "Stage 3 - Write offs" arise from redemption events. In fact, due to the continuation of the economic crisis and as requested by the Bank of Italy, the Group carried out writedowns to financial assets that are consistent with the current and forecast developments of risk in loan portfolios. In addition, the presence of guarantees collected by the Affiliated Banks - as a guarantee of exposure - allows for additional guarantees for the recoverability of receivables. The write-backs, in the column 'stages 1 and 2', correspond to the adjustments to performing positions.

Net value adjustments relating to loans to customers, as at 30 June 2022, amounted to EUR 69 million, an improvement on the EUR 115 million recorded at 30 June 2021.

Please refer to the paragraph "Classification and measurement of loans to customers based on the general impairment model IFRS 9" of Section 5 - Other aspects in Part A of these Explanatory Notes for more details on the loan measurement model.

For more detailed information pertaining to movements in net adjustments to loans, refer to Part E of these Explanatory Notes.

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						Total 30/06/2022	Total 30/06/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired			
			Write-offs	Other	Write-offs	Other		
1. EBA-compliant moratoria loans	-	-	-	-	-	-	-	(5)
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	1	1	-	(2)	-	-	-	(2)
3. Other loans with Covid-19-related forbearance measures	-	-	-	1	-	-	1	(15)
4. Newly originated loans	(1)	(2)	-	(9)	-	-	(12)	(14)
Total 30/06/2022	**-**	**(1)**	**-**	**(10)**	**-**	**-**	**(11)**	**X**
Total 30/06/2021	**(9)**	**(4)**	**-**	**(23)**	**-**	**-**	**X**	**(36)**

8.2 Net value adjustments due to credit risk relative to financial assets designated at fair value through other comprehensive income: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 30/06/2022	Total 30/06/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. DEBT SECURITIES	(1)	-	-	-	-	-	-	-	-	-	(1)	-
B. LOANS	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(1)	-	-	-	-	-	-	-	-	-	(1)	-

Section 12 – Administrative expenses – Item 190

12.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	Total 30/06/2022	Total 30/06/2022
1) Employees	**(417)**	**(416)**
a) salaries and wages	(295)	(287)
b) social charges	(74)	(73)
c) severance indemnity	(15)	(12)
d) social security expenses	(2)	(2)
e) provision for severance indemnity	(3)	(3)
f) allocation to post-employment benefits	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary pension funds:	(12)	(14)
- with defined contribution	(12)	(14)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
I) other employee benefits	(16)	(25)
2) Other operating personnel	**(3)**	**(4)**
3) Directors and Auditors	**(16)**	**(15)**
4) Retired personnel	**-**	**-**
Total	**(436)**	**(435)**

12.5 Other administrative expenses: breakdown

ITEMS	Total 30/06/2022	Total 30/06/2021
ICT expenses	**(38)**	**(43)**
Outsourced ICT expenses	(14)	(13)
ICT expenses other than outsourced ICT expenses	(24)	(30)
Taxes and levies (other)	**(73)**	**(73)**
Expenses for professional and consulting services	**(51)**	**(54)**
Advertising and entertainment expenses	**(9)**	**(10)**
Expenses related to debt collection	**(9)**	**(10)**
Litigation expenses not covered by allocations	**-**	**-**
Expenses for real estate	**(11)**	**(19)**
Lease fees	**-**	**(1)**
Other administrative expenses - Other	**(179)**	**(120)**
of which: cash contributions to resolution funds and deposit guarantee systems	(72)	(51)
Total administrative expenses	**(370)**	**(330)**

The item "Other administrative expenses", as at June 2022, stood at EUR 370 million, up by approximately EUR 40 million compared to June 2021, mainly due to the recognition of higher contributions to Deposit Guarantee Schemes (DGS) and Single Resolution Funds (SRF) for a total of around EUR 21 million.

Section 13 – Net allocations to provisions for risks and charges – Item 200

13.1 Net allocations for credit risk relative to commitments to disburse funds and financial guarantees given: breakdown

ITEMS	30/06/2022			30/06/2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(8)	(2)	(15)	(6)	(3)	(12)
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	(2)	(1)	(10)	(1)	(1)	(9)
Total allocations (-)	**(10)**	**(3)**	**(25)**	**(7)**	**(4)**	**(21)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	4	4	18	8	2	11
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	2	1	8	2	1	8
Total reallocations (+)	**6**	**5**	**26**	**10**	**3**	**19**
	Net allocation			Net allocation		
Total	**(4)**	**2**	**1**	**3**	**(1)**	**(2)**

13.3 Net allocations to other provisions for risks and charges: breakdown

ITEMS	30/06/2022			30/06/2021		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
ALLOCATIONS AND REALLOCATIONS TO OTHER PROVISIONS FOR RISKS AND CHARGES						
1. for risks on revocatory actions	(1)	-	(1)	-	-	-
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	-	-	-	-	-	-
4. for legal and tax disputes	(5)	3	(2)	(4)	6	2
5. for other risks and charges	(6)	3	(3)	(11)	4	(7)
Total	**(12)**	**6**	**(6)**	**(15)**	**10**	**(5)**

Section 14 – Net value adjustments/write-backs to tangible assets – Item 210

At the end of the reporting period, net value adjustments on tangible assets amounted to EUR 52 million and remained unchanged compared to the first six months of 2021.

Section 15 – Net value adjustments/write-backs to intangible assets – Item 220

At the end of the reporting period, net value adjustments on intangible assets amounted at EUR 9 million, compared to EUR 8 million in the corresponding first six months of 2021.

Section 16 – Other operating income/charges – Item 230

16.1 Other operating expenses: breakdown

ITEMS	Total 30/06/2022	Total 30/06/2021
Amortisation of improvements to non-separable third-party assets	(2)	(2)
Expenses for treasury contracts with public bodies	-	-
Expenses for transactions and indemnities	-	-
Non-existent items and contingencies not ascribable to own items	(3)	(3)
Bonuses and rounding down	-	-
Other operating expenses - other	(4)	(5)
Total other operating expenses	**(9)**	**(10)**

16.2 Other operating income: breakdown

ITEMS	Total 30/06/2022	Total 30/06/2021
Recovery of taxes	64	63
Charges to third parties for costs on deposits and current accounts	2	2
Recovery of insurance premiums	1	1
Receivable rents and payments	1	1
Recovery of other expenses	7	6
Non-existent items and contingencies not ascribable to own items	6	4
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	25	44
Total other operating income	**106**	**121**

At the end of the reporting period, the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15 para. 116 b)) and revenues recognised during the year arising from obligations fulfilled in previous years (IFRS 15 para. 116 c)).

It should be noted that the following are not of significance for the Group:

- income from sublease of assets consisting of the right of use (IFRS 16, para. 53, letter f));
- income related to variable finance lease payments not included in the measurement of the net investment in the lease (IFRS 16, para. 90 letter a), iii));
- operating lease income arising from variable payments that are not dependent on an index or rate (IFRS 16, para. 90 letter b)).

Section 17 – Profits (losses) on equity investments – Item 250

17.1 Profits (losses on equity investments: breakdown

INCOME COMPONENT/SECTORS	Total 30/06/2022	Total 30/06/2021
1) JOINTLY-CONTROLLED COMPANIES		
A. INCOME	**1**	**-**
1. Revaluations	1	-
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. CHARGES	**-**	**-**
1. Write-downs	-	-
2. Value adjustments for impairment	-	-
3. Losses from disposal	-	-
4. Other charges	-	-
Net result	**1**	**-**
2) COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE		
A. INCOME	**1**	**1**
1. Revaluations	1	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. CHARGES	**(1)**	**(2)**
1. Write-downs	(1)	(2)
2. Value adjustments for impairment	-	-
3. Losses from disposal	-	-
4. Other charges	-	-
Net result	**-**	**(1)**
Total	**1**	**(1)**

Section 25 – Earnings per share

25.1 Average number of ordinary shares with diluted capital

The information relating to this section is not reported in view of the particular characteristics of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group Group.

PART E - Information on risks and related hedging policies

INTRODUCTION

The Group pays particular attention to risk management and governance in ensuring the constant evolution of its organisational/procedural controls and methodological solutions used for measuring and monitoring. These activities are carried out with tools aimed at effectively and efficiently supporting the governance of risks, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at the Parent Company by the Affiliated Banks of the Cooperative Banking Group has been made operational. It is therefore the task of the Parent Company to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks and considers both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors of the Parent Company, i.e. the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

The framework is developed by the Parent Company and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP-ILAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP-ILAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

The framework defines both the general principles in terms of the company's risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the Group's risk-taking strategy are set out below:

- the company's business model is focused on the traditional business of a commercial credit group, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the entire company's operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions.

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to provide on a periodic basis summary information on the evolution of the banking Group's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a holistic representation of the risk profiles to which the Group is exposed.

The definition of the RAF is based on an articulated and complex process, coordinated by the Parent Company. This process is developed in coherence with the ICAAP-ILAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

Specific policies and regulations common to the Group issued by the Parent Company have been adopted to strengthen the overall risk management and governance system.

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Group is exposed, is part of the broader framework of the company's internal control system, which is addressed by the Parent Company as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

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In line with the provisions issued by the Bank of Italy, the model adopted by the Group outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34.2 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted through the approval of the ICAAP-ILAAP and the budget. This function is carried out by ensuring consistency between the internal control system and the Group's organisation within the cooperative credit "business model". It should be noted that only a consolidated ICAAP-ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer for the Parent Company, who takes part in the meetings of the Board of Directors, or of the General Management within the Cooperative Credit Banks. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer/General Management, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee, normally on the proposal of the Chief Executive Officer/General Management, in the delegated areas;
- decisions of the Chief Executive Officer/General Management and the structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer/General Management is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Group is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she also involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

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The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banking groups must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Group intends to achieve. The process is directed by the Parent Company, in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Group's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who - also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible - prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operational risk management activities.

Consequently, risk management is configured as a set of limits, delegations, rules, procedures, resources and first- and second-level line controls as well as operational activities through which risk management policies are implemented.

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The supervisory regulations require banking groups to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

Section 1 – Risks of the consolidated accounts

In this section, information is provided with reference to the companies included in the consolidated accounts.

Information of a quantitative nature

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

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	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	98	511	49	557	77,954	**79,169**
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	11,276	**11,276**
3. Financial assets designated at fair value	-	-	-	-	1	**1**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	272	**272**
5. Financial assets held for disposal	-	-	-	-	-	**-**
Total 30/06/2022	**98**	**511**	**49**	**557**	**89,503**	**90,718**
Total 31/12/2021	**125**	**598**	**35**	**387**	**85,212**	**86,357**

With regard to forborne exposures, reference should be made to Section 2, Table A.1.5.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Writedowns	Net exposure	Total partial write-offs	Gross exposure	Writedowns	Net exposure	
1. Financial assets measured at amortised cost	2,737	2,079	658	276	79,144	633	78,511	79,169
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	11,278	2	11,276	11,276
3. Financial assets designated at fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value	1	1	-	-	X	X	272	272
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 30/06/2022	**2,738**	**2,080**	**658**	**276**	**90,422**	**635**	**90,060**	**90,718**
Total 31/12/2021	**2,878**	**2,120**	**758**	**297**	**85,926**	**627**	**85,599**	**86,357**

PORTFOLIOS/QUALITY	Assets of evident low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	7
2. Hedging derivatives	-	-	86
Total 30/06/2022	**-**	**-**	**93**
Total 31/12/2021	**-**	**-**	**12**

Section 2 – Risks of prudential consolidation

In this section, transactions with other companies, which are excluded from the prudential scope but included in the consolidation period, are not eliminated. These figures conventionally include, in proportion to the interest held, the assets and liabilities of the banking, financial and instrumental companies jointly controlled and consolidated proportionally for supervisory purposes.

1.1 CREDIT RISK

Information of a qualitative nature

1. GENERAL ASPECTS

The objectives and strategies of the Group's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Group's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, the Group is subject to the guidance and coordination role of the Parent Company Cassa Centrale Banca, in particular for the specific areas highlighted in this section. In particular, such objectives and strategies are targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Group's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as and especially on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with families, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Group in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the Group, tend to be excluded from access to ordinary bank credit.

The significant share of lending represented by residential mortgages, offered according to different types of products, is evidence of the Group's particular focus on the household sector.

The micro and small businesses and the craft segment is another sector of particular importance for the Group. In this context, the Group's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial Credit Guarantee Consortia or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Group's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Group operates.

2. POLICIES FOR MANAGING CREDIT RISK

2.1 Organisational factors

In carrying out its activities, the Group is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the financial difficulties of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Group to credit risk (e.g. subscription of non-speculative OTC derivative contracts).

The new Group Regulation on the granting of loans, approved by the Board of Directors on 24 February 2022, uniformly defines the process for granting and managing performing loans, allowing the individual affiliated banks to autonomously determine the operational units required to perform the different stages of the process. This decision, deemed necessary in view of the decentralisation that characterises the Cassa Centrale Group, aims to enhance the unique characteristics of the different banks, both in terms of their commercial approach to the region and in terms of effective risk management. In any case, and in compliance with regulatory provisions on Internal Audits, a clear division of roles and responsibilities is established between the commercial component, the functions responsible for identifying and managing positions classifiable as NPEs, and the Control Functions, including the Risk Management Department.

The geographical distribution of the Group as at 30 June 2022 is characterised by the presence of 10 regional branches of the Parent Company and 70 Affiliated Banks with approximately 1,474 branches located throughout Italy.

The Credit Department is the body of the Parent Company responsible for governing the entire performing loan process (granting and auditing; management and monitoring), as well as the coordination and development of loans.

The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Service of the Parent Company is the central body with the following functions:

- coordination of the management of the Group's non-performing loan portfolio by defining, implementing and monitoring the Group's NPE strategy;
- definition of management processes of impaired loans;
- governance of the monitoring process of the entire loan portfolio, in order to promptly intercept the deterioration of credit quality and ensure the correct classification of customers between performing and non-performing loans;

In light of the provisions on the internal control system (contained in Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the framework addressed by the Parent Company.

In addition to line controls, as first level activities, the functions outsourced to the Parent Company in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operational risks) is carried out by the risk control function (Risk Management Department) - outsourced to the Parent Company, which makes operational use of its internal contacts at Group banks.

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Group with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Service of the Parent Company ensure the supervision and coordination of the operational phases of the lending process, make decisions within the scope of their powers and carry out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Regulation on the granting of loans, Group Regulations for the management of impaired loans and the new Group Regulation for the classification and valuation of loans, approved by the Board of Directors on 27 January 2022, which define criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with associated parties, the Group has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating to the granting of loans. From this perspective, the Group is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of associated parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use. The Group Regulation for the management of transactions with associated parties was also adopted.

In compliance with the provisions of the Group Regulation for the granting of loans, the Group Regulation for the management of impaired loans and the Group Regulation for the classification and valuation of loans, specific procedures were put in place for the investigation/deliberation, credit line revision and credit risk monitoring phases, classification of loans and definition of recovery strategies for impaired loans. All of the above phases apply qualitative and quantitative criteria to assess the creditworthiness of the counterparty.

Opportunities for enquiry/deliberation and the review of credit lines are regulated by a deliberative process involving the various competent bodies of the Subsidiary Banks or of the Parent Company, in accordance with the levels of delegation provided for in the respective individual Regulations, adopted in line with the Group Regulation on the granting of loans. The Parent Company can intervene on the loan granting practices of individual affiliated banks in the event that they exceed the maximum credit limits permitted for individual counterparties, set by the Parent Company on a personalised basis for each individual bank, taking into account the own funds and creditworthiness of the same. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on economic-financial data, as well as on personal knowledge of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with the investigation reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Group, using internal management information and data acquired from external providers, makes it possible to identify the various signs of anomalies among the customers with credit lines. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

Control of the loan granting and monitoring activities is ensured by the Risk Management Department, which is established at the Parent Company.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the management system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements, Central Credit Register, Relationship Performance, Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory.

For the purposes of determining the minimum capital requirement for credit risk, the Group adopts the standardised methodology and, in this context, has decided to:

- make use of rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers [20];
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I).

Moreover, with reference to the internal capital adequacy assessment process (ICAAP) provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Group has opted for the adoption of simplified methodologies.

In addition, stress tests were carried out in accordance with the management methods established by the Parent Company.

With reference to credit risk, stress tests are carried out as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the HTCS securities portfolio.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Finance Departments of the Group's banks carry out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

[20] The rating models developed are subject to annual review by the Parent Company. During the year, under the supervision of the Risk Management Department of the Parent Company, credit risk models were refined and updated. For more details see paragraph 2.3.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application[21] of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in risk (lifetime) has occurred. In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (SICR) or which can be identified as ‘low credit risk’;
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as ‘low credit risk’;
- in stage 3, non-performing positions[22].

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months[23];
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;

[21] The application segments are ordinary customers, interbank segment and securities portfolio.

[22] Non-performing loans relate to: impaired past due and/or overrun, ‘unlikely to pay’ and non-performing exposures.

[23] The calculation of the Expected Loss for the purposes of calculating collective bad debt provisions for these exposures takes place on a 12-month point in time basis.

- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 100,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Group's strategy for the management of impaired receivables.

Specific risk parameters (PD, LGD and EAD) were defined from an IFRS 9 perspective to be used for impairment calculations (stage allocation and ECL); to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used[24]. It should be underlined that the Group calculates the ECL based on the allocation stage, per individual position, with reference to cash and off-balance sheet credit exposures.

For more details, please refer to these Explanatory Notes, Part A "Accounting policies" section 5 "Other aspects" - d) Methods of application of the international accounting standards in the context of the Covid-19 pandemic.

Loans to ordinary customers

The steps common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the creditworthiness (in terms of the customer's rating);
- the inclusion of forward-looking scenarios occurs through the application of outputs defined by appropriate "Satellite Models" to the PD Point in Time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The steps common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the type of counterparty, the geographical area in which the Group operates, and the type of guarantee, which consists of two parameters: the Danger Rate (DR) and the non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter (an expression of the probability of "curing" a position to default as well as possible increases in exposure in the migration to worse credit states) is estimated from a set of administrative state transition matrices with an annual observation horizon. These matrices were calculated in relation to a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal LGS parameter (complement to one of the recoveries obtained in respect of the exposure of a position classified as non-performing) is calculated as the arithmetic mean of the nominal LGS, segmented by type of guarantee, and then discounted based on the average recovery time observed for clusters of ratios consistent with the nominal non-performing LGD.

[24] During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

The EAD IFRS 9 model adopted differs according to the type of technical macro-form and the type of counterparty. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. A further element that influences the future values of the EAD, i.e. the progressive repayment of the instalment loans on the basis of the contractual amortisation plan, is the prepayment rate (a parameter that collects the events of early and partial termination with respect to the contractual maturity date).

With reference to stage allocation, the Group made provision for the allocation of the individual cash and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
  - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, greater than a certain threshold differentiated according to specific drivers such as risk segment, ageing and residual maturity of the position and geographic area. A backstop of 300% is applied to this threshold in line with the guidelines issued by the ECB in the "dear ceo letter";
  - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. that have the following characteristics at the valuation date: rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment)[25].
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Loans between banks or to financial intermediaries

For transactions in the interbank segment, the PD parameter is provided by an external provider that is differentiated on the basis of a rating that defines the creditworthiness of the counterparty; these default probabilities are extrapolated from listed credit spreads or listed bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model.

The Group has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of

[25] The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD Point in Time less than 0.3%. Stage 2 is defined on the basis of PD changes between origination and reporting of 200% (as the backstop identified on the basis of the AQR-stress test manuals in the presence of a low default portfolio).

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Group has allocated the individual tranches for the purchase of securities in 3 stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date have not experienced a significant increase in credit risk with respect to the time of purchase.

In the stage 2, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

Transitory regime

With regard to the economic and equity impacts of IFRS 9, it should be noted that, on first-time adoption of the same, the main impacts arose from the application of the new accounting model of impairment based, as mentioned above, unlike the loss approach of IAS 39, on the concept of expected loss, and from the application of the rules for the transfer of exposures to the various stages of classification.

It should be noted that Cassa Centrale Banca has adhered to the option introduced by Regulation (EU) no. 2395/2017 and partially supplemented by Regulation (EU) no. 873/2020, by which amendments were made to Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (so-called CRR), relating to the introduction of a specific transitional framework, from 2018 to 2024, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) introduced by IFRS 9.

The provisions in question have made it possible to reintroduce in the CET1 the impact recorded following the application of the new valuation model introduced by IFRS 9 for financial assets measured at amortised cost or at fair value through other comprehensive income.

This standard allows for dilution until the end of 2024:

- the incremental impact of the write-down on performing and impaired exposures recognised at the date of transition to IFRS 9 following the application of the new impairment model (static A2, SA filter component);

- any further increase in total write-downs relating only to performing exposures, recorded as at 31 December 2019 with respect to the impact measured at the date of transition to the new standard ("dynamic old" A4, SA old filter component);
- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 31 December 2019 ("dynamic new" A4, SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 – 95%
- 2019 – 85%
- 2020 – 70%
- 2021 – 50%
- 2022 – 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%
- 2021 – 100%
- 2022 – 75%
- 2023 – 50%
- 2024 – 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the Covid-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111, paragraph of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, some consolidation interventions are also planned, based, inter alia, on the implementation of automated and proactive processes as well as the refinement of early warning and trigger tools that have been introduced by the Group in order to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second-level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures. It should be noted that, in relation to the introduction of the new definition of default as well as to some primary contextual elements (i.e. the growing sophistication of the Banking Group, elements deriving from the Covid-19 health emergency, etc.), the Group has launched a project to estimate again all the credit models of the accounting framework (i.e. IFRS 9 and macro-economic models) as well as management such as monitoring and acceptance (i.e. rating systems) with expected release by the end of 2022.

The Group has defined the guidelines relating to the adoption of organisational and process solutions aimed at enabling the correct and integrated gradual use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

With regard to the impacts of Covid-19 on the assessment of the significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Group would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Group is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to customers in the retail and small business sectors (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also "CRM") techniques.

The Group has decided to use the following CRM tools:

- financial collateral involving cash and a restricted list of financial instruments traded on regulated markets, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- mortgage collateral, represented by residential and non-residential mortgages;
- personal guarantees represented by sureties given by authorities authorised to issue state commitments (e.g., SME Guarantee Fund, Sace, Ismea) or by supervised financial intermediaries.

Collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company's policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Group complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- observance of the maximum ratio between the requested credit facility and the value of the real estate pledged as collateral (loan-to-value): 80% for residential properties and 50% for non-residential properties;
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Group bank's own funds) the valuation is in any case reviewed by an independent expert at least every 3 years.

For impaired exposures, the Group provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Group, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Group has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

For personal guarantees, the Group uses CRM techniques only for sureties protected by government guarantees as these are issued by authorised issuers (e.g., SME Guarantee Fund, Sace, Ismea, or other authorities in the EU framework such as BEI, FEI). Moreover, they may provide access to benefits in terms of capital weighting on sureties provided by supervised financial intermediaries.

Offsetting agreements

The Group adopts bilateral offsetting agreements for contracts relating to OTC derivatives and long-term settlement transactions concluded with primary counterparties through the Parent Company which, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Group has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral offsetting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Group complies with the specific requirements set out in the regulations.

In this respect, the Group adopts a net-based counterparty risk management system in accordance with the bilateral offset provision, with no novation effect, present in contracts for OTC derivatives and long-term settlement transactions. It is planned to adopt these instruments also when absorbing capital, bearing in mind that the new contracts all pass through the Parent Company.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Group has entered into margining agreements that provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). The system is managed by the Parent Company for exposures to affiliates, while for exposures to institutional market counterparties it is the latter that performs the role of guarantee calculation agent.

3. IMPAIRED CREDIT EXPOSURES

3.1 Management strategies and policies

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three categories:

- non-performing loans: credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than non-performing loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;
- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun. The overall exposure to a debtor shall be recognised as impaired past due and/or overrun, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or fees unpaid at the date it was due exceeds both of the following thresholds: a) absolute limit of EUR 100 for retail exposures and of EUR 500 for non-retail exposures; b) relative limit of 1% given by the ratio of the total amount past due and/or overrun at group level to the total amount of all credit exposures to the same debtor.

The classification of positions among impaired assets is carried out automatically, upon the occurrence of the binding cases provided for by the reference regulations, or by means of *evaluation and deliberation processes on individual counterparties*, triggered automatically or manually, upon the identification of certain *early warning* signs and/or *triggers* defined in the Group Regulation for the Classification and Valuation of Loans. Similarly, the return to performing status of impaired exposures occurs automatically when the binding cases provided for by the reference regulations are no longer met, or through *valuation and resolution processes*, triggered manually by the structures responsible for managing impaired loans, in compliance with the “monitoring period” and “cure period” timeframes provided for by the reference regulations.

The Group model for the management of impaired loans involves management and coordination by the Parent Company and the direct management of the impaired loans portfolio by the individual affiliated banks. In the context of this model, the Parent Company:

- prepares and implements the Group's NPE Strategy and related operational plan;
- defines and updates internal regulations and processes related to the classification and valuation of loans;
- defines and updates the internal regulations and processes related to the management and recovery of impaired loans.

Each affiliated bank, through its own structures, conducts the following activities:

- the development and implementation its own individual NPE Strategy and related operational plan in compliance with the objectives defined by the Parent Company;
- the classification of individual exposures;
- the definition of the most appropriate management and/or recovery strategies for the individual positions;
- the activities of determining the provisions on the individual impaired credit lines.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the Group policy for the classification and valuation of loans.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS9.

3.2 Write-offs

The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the writedowns, as a contra-entry to the gross value of the impaired exposure;
- for any portion exceeding the amount of the writedowns, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under contingent assets.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

The specific processes and criteria for the application of write-offs are governed at group level in accordance with specific internal regulation.

3.3 Impaired financial assets acquired or originated

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside - from the date of initial recognition - provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Group's typical business model, so the above mentioned cases are to be considered residual.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND FORBORNE EXPOSURES

The category of 'forborne non-performing exposures' does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes cash exposures and commitments to disburse funds that are forborne ('forborne exposures'), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of 'credit deterioration' (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);
- the Group agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of "credit impairment" are instead classified in the category of "forborne performing exposures" and are included among the "other performing exposures", or among the "performing past due exposures" if they meet the requirements for this classification.

As provided for in the Group Regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- forborne performing if both of the following conditions occur:
  - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
  - the debtor was not reclassified as an impaired counterparty as a result of the forbearance granted;
- forborne non-performing if at least one of the following conditions occurs:
  - the debtor was classified as impaired prior to the granting of the forbearance;
  - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 12 months have passed since the last of the following events (so-called cure period):
  - granting of the forbearance measure on impaired credit exposures;
  - classification as impaired of the counterparty;
  - end of the grace period set forth by the forbearance measure on impaired credit exposures;
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Group;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:
  - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
  - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- occurrence of conditions of reduced financial obligation as defined by Article 178 of EU Regulation no. 575/2013 (DO>1%);
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the funded counterparty has been upgraded to performing status under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 24 months have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the respective Group bank at the end of the probation period.

Information of a quantitative nature

A. CREDIT QUALITY

A.1.4 Prudential consolidation - On-balance and off-balance-sheet credit exposures to banks: gross and net values

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	**185**	**179**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**185**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	185	179	6	X	-	-	-	-	X	-	185	-
A.2 OTHER	**4,757**	**4,641**	**104**	**-**	**-**	**3**	**2**	**1**	**-**	**-**	**4,754**	**-**
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) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	4,757	4,641	104	X	-	3	2	1	X	-	4,754	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**4,942**	**4,820**	**110**	**-**	**-**	**3**	**2**	**1**	**-**	**-**	**4,939**	**-**

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,147	786	36	X	-	1	1	-	X	-	1,146	-
TOTAL (B)	**1,147**	**786**	**36**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**1,146**	**-**
TOTAL (A+B)	**6,089**	**5,606**	**146**	**-**	**-**	**4**	**3**	**1**	**-**	**-**	**6,085**	**-**

*Value to be displayed for information purposes

A.1.5 Prudential consolidation - On-balance and off-balance-sheet credit exposures to customers: gross and net values

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	931	X	-	931	-	833	X	-	833	-	98	276
- of which: forborne exposures	228	X	-	228	-	203	X	-	203	-	25	43
b) Unlikely to pay	1,731	X	-	1,731	-	1,220	X	-	1,220	-	511	-
- of which: forborne exposures	1,047	X	-	1,047	-	758	X	-	758	-	289	-
c) Impaired past due exposures	76	X	-	76	-	27	X	-	27	-	49	-
- of which: forborne exposures	5	X	-	5	-	2	X	-	2	-	3	-
d) Performing past due exposures	592	242	350	X	-	35	3	32	X	-	557	-
- of which: forborne exposures	59	-	59	X	-	8	-	8	X	-	51	-
e) Other performing exposures	85,331	78,467	6,617	X	-	597	209	388	X	-	84,734	-
- of which: forborne exposures	1,008	-	1,008	X	-	100	-	100	X	-	908	-
TOTAL (A)	**88,661**	**78,709**	**6,967**	**2,738**	**-**	**2,712**	**212**	**420**	**2,080**	**-**	**85,949**	**276**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	144	X	-	144	-	55	X	-	55	-	89	-
b) Performing	13,344	12,641	624	X	-	82	62	20	X	-	13,262	-
TOTAL (B)	**13,488**	**12,641**	**624**	**144**	**-**	**137**	**62**	**20**	**55**	**-**	**13,351**	**-**
TOTAL (A+B)	**102,149**	**91,350**	**7,591**	**2,882**	**-**	**2,849**	**274**	**440**	**2,135**	**-**	**99,300**	**276**

*Value to be displayed for information purposes

A.1.5a Loans subject to Covid-19 support measures: gross and net values

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. NON-PERFORMING LOANS	**16**	**-**	**-**	**16**	**-**	**10**	**-**	**-**	**10**	**-**		
a) EBA-compliant moratoria loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other loans with Covid-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	16	-	-	16	-	10	-	-	10	-	6	-
B. UNLIKELY TO PAY	**78**	**-**	**-**	**78**	**-**	**35**	**-**	**-**	**35**	**-**	**43**	**-**
a) EBA-compliant moratoria loans	1	-	-	1	-	1	-	-	1	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other loans with Covid-19-related forbearance measures	3	-	-	3	-	2	-	-	2	-	1	-
d) Newly originated loans	74	-	-	74	-	32	-	-	32	-	42	-
C. IMPAIRED PAST DUE LOANS	**6**	**-**	**-**	**6**	**-**	**1**	**-**	**-**	**1**	**-**	**5**	**-**
a) EBA-compliant moratoria loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other loans with Covid-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	6	-	-	6	-	1	-	-	1	-	5	-

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
D. OTHER PERFORMING PAST DUE LOANS	**237**	**149**	**88**	**-**	**-**	**5**	**1**	**4**	**-**	**-**	**232**	**-**
a) EBA-compliant moratoria loans	1	-	1	-	-	-	-	-	-	-	1	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other loans with Covid-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	236	149	87	-	-	5	1	4	-	-	231	-
E. OTHER PERFORMING LOANS	**5,781**	**4,866**	**915**	**-**	**-**	**40**	**15**	**25**	**-**	**-**	**5,741**	**-**
a) EBA-compliant moratoria loans	21	18	3	-	-	1	-	1	-	-	20	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	9	7	2	-	-	-	-	-	-	-	9	-
c) Other loans with Covid-19-related forbearance measures	2	-	2	-	-	-	-	-	-	-	2	-
d) Newly originated loans	5,749	4,841	908	-	-	39	15	24	-	-	5,710	-
TOTAL (A+B+C+D+E)	**6,118**	**5,015**	**1,003**	**100**	**-**	**91**	**16**	**29**	**46**	**-**	**6,027**	**-**

The "Total partial write-offs" column has no significant values.

1.2 MARKET RISKS

1.2.1 Interest rate risk and price risk - regulatory trading book

Information of a qualitative nature

A. General aspects

The Finance and Treasury Committee of the Parent Company defines the investment choices relating to the trading book within the periodic strategy documents for the management of the proprietary portfolio approved by the Board of Directors of the Parent Company.

During the first six months of the year, the proprietary portfolio management strategy established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives linked to the fair value option): such operations, being balanced, do not give rise to significant risks.

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book, related to the securities component, is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR, Value at Risk). This is calculated with the applications and with the historical method via Riskmetrics, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming a future distribution of risk factor returns equal to the historical distribution over a given time horizon.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out using the Montecarlo fat-tailed method, which uses a procedure to simulate the returns of risk factors on the basis of past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation. An additional measure introduced to assess market risk is the expected shortfall, calculated with both the historical method and the Montecarlo method.

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (effective duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR - calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Finance Departments and periodically submitted to the Boards of Directors.

In addition, an automatic email alert is active if the attention thresholds and/or limits in the internal regulations are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated with the applications and with the historical method via RiskMetrics, over a ten-day period, and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the regulatory trading book during the first six months of 2022 is reported below:

(Amounts in Euro units)

Value at Risk 30/06/2022	Value at Risk average	Value at Risk minimum	Value at Risk maximum
-	-	-	-

As at 30 June 2022 there were no securities in the trading book, according to the strategic guidelines established by the Parent Company.

Information of a quantitative nature

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the banking book is supported by reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications and parametric methodology, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for interest rate and price risk

Interest rate risk - Banking book

Primary sources of interest rate risk
The sources of the interest rate risk to which the Group is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans, securities portfolio and the various forms of funding from customers.

In particular, "fair value" interest rate risk (understood as impact on Economic Value) is derived from fixed-rate items while interest rate risk from "cash flows" (understood as impact on marginality) is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Group has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are applied within the framework of corporate regulations aimed at setting up monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Group, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Group has identified the Finance Department as the structure responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

With regard to the risk measurement methodology in terms of change in economic value and change in interest margin, the Group has decided to use the calculation framework provided by the EBA guidelines (GL-2018-02) which is based on the following elements:

- sensitivity analysis to economic value: the calculation engine allows the quantification of the difference in fair value of financial statement items calculated according to the Discounted Cash Flow method using first a base curve (without shock) and then a shocked curve. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against a specific rate shock scenario, assuming the reinvestment of maturing or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (both value and margin); normally those for items on demand are used.

The Group determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios, as indicated in the relevant legislation, are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down).

The risk indicator is represented in the RAF (Risk Appetite Framework) by the ratio between the internal capital thus calculated and the value of CET1. At consolidated level, the Parent Company monitors the positioning of the Group compared with the threshold of 15% set by the EBA guidelines. If the risk indicator exceeds the thresholds set out in the RAF, the appropriate recovery initiatives are activated.

Price risk - Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications and parametric methodology, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the first six months of 2022 is reported below:

(Amounts in Euro units)

Value at Risk 30/06/2022	Value at Risk average	Value at Risk minimum	Value at Risk maximum
1,145,415,288	719,250,558	362,618,675	1,158,095,706

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. At consolidated portfolio level the previous model did not identify any significant overruns in the reference period[26].

The year 2022 saw a continuation, with respect to VaR, of the quantification of issuer risk for government securities and therefore country risk, understood as VaR relating only to the risk factor "Credit Spread", expressed as the spread between the Italian government bond curve and the risk-free curve, understood as the reference monetary curve for each currency in which the bond is denominated. VaR and Expected Shortfall metrics were also calculated only on the Italian Government bonds segment.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 30 June 2022 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

[26] The average, minimum and maximum VaR figures refer to the period from 01/01/2022 to 30/06/2022.

(Amounts in Euro units)

Theoretical value as at 30/06/22	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
37,845,647,007	+294,084,722	-288,190,090	+594,259,636	-570,666,314

Information of a quantitative nature

2. Banking book: internal models and other methodologies for sensitivity analysis

For management purposes, the Group quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses as at 30 June 2022, assuming a change in interest rates of +/-100 basis points, the effects relating to the change in the economic value and in the interest margin are shown, then compared to the value of Own Funds at the end of the year and to the value of the prospective interest margin (the latter calculated over a time period of 12 months and with the assumption of reinvestment of maturing items at the market conditions defined in the forecast scenario).

(Amounts in Euro units)

CHANGE IN ECONOMIC VALUE	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	-1,224,675,122	1,432,250,222
Banking book: securities	-1,215,289,480	1,326,955,863
Other assets	-28,226,131	30,348,956
Liabilities	2,203,001,558	-2,381,686,867
Total	**-265,189,175**	**407,868,174**
Own Funds	7,370,477,008	7,370,477,008
% Impact on own funds	-3.60%	5.53%

(Amounts in Euro units)

CHANGE IN INTEREST MARGIN	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	531,628,745	-429,270,016
Banking book: securities	177,533,679	-182,544,372
Other assets	16,915,790	-17,204,862
Liabilities	-569,075,727	550,604,256
Total	**157,002,487**	**-78,414,994**
Prospective interest margin	1,532,740,123	1,532,740,123
% Impact on prospective interest margin	10.24%	-5.12%

1.2.3 EXCHANGE RATE RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for exchange rate risk

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2022 the Group carried out transactions to hedge the exchange rate risk using outright derivatives.

1.4 LIQUIDITY RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the possibility that the Group may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (Funding Liquidity Risk), or that it may be forced to incur very high costs to meet these commitments (Market Liquidity Risk). Funding Liquidity Risk, in turn, can be distinguished between: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario: a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Group. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Group (e.g. deterioration of the Group's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Group (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
    - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);

- the analysis of the level of seniority of financial instruments.

The processes in which the Group's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the supervisory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Group adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Parent Company, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic supervisory body, the Board of Directors of the Parent Company and of each Affiliated Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management - related to membership of the Cooperative Banking Group - by formalising its internal regulations on liquidity risk management and governance.

The Group's liquidity is managed by the Finance Department of the Parent Company and the Affiliated Banks in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department of the Parent Company, which makes use of its representative at the Affiliated Banks to check the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between average maturities of lending and funding in the medium/long term.

The Group intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Group's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Group has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Group uses the analysis reports available monthly prepared by the Parent Company.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;
- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Group's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the end of the reporting period, the incidence of funding from the top 10 counterparties (private and non-financial companies) on the Group's total funding from customers is 0.9% as at 30 June 2022.

The Group's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Group operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Group uses the analysis reports available monthly prepared by the Parent Company.

The Net Stable Funding Ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out in the EU Regulation no. 2019/876 (CRR2).

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Group calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted according to a qualitative approach based on the company's experience and the indications provided by the regulations and supervisory guidelines, cover two scenarios of liquidity, market/systemic and Group-specific crises. In particular, the Group performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

The results of the analyses carried out are periodically documented to the Board of Directors.

On the basis of the guidelines defined by the Parent Company, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (CFP), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management is centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Group has had a significant amount of liquid resources due to both the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem, and the adoption of funding policies aimed at favouring direct retail funding.

As at 30/06/22, the total amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the Liquidity Coverage Ratio (LCR), stood at EUR 23.4 billion.

The recourse to refinancing from the ECB amounted to EUR 16 billion and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO).

1.5 OPERATING RISKS

Information of a qualitative nature

A. General aspects, management processes and measurement methods for operational risk

Operational risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operational risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operational risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operational risk are internal fraud, external fraud, employment relationships and workplace safety, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the failure of IT systems.

The following subcategories of risk are significant in terms of operational risks, as set out in the same supervisory instructions:

- IT risk, i.e. the risk of incurring economic losses, reputation and market share losses in relation to the use of Information and Communication Technology (ICT);
- outsourcing risk, i.e. the risk associated with the choice to outsource the performance of one or more business activities to third-party suppliers.

Given that it is a transversal risk across processes, operational risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, outsourced to the Parent Company, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes). The Compliance Department also operates through its own representatives identified within the individual Group banks.

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operational risk management process consists of the following steps:

- **identification and assessment**, which includes the detection, collection and classification of quantitative and qualitative information relating to operational risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operational risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operational risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operational risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- **reporting**, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During this period, the Group, under the coordination of the Parent Company, has implemented a procedure for the recognition of operational loss events and the related economic effects.

Finally, there are the third level controls carried out by the Internal Audit Department of the Parent Company, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Group mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Group in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Group internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operational risks, the Group, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

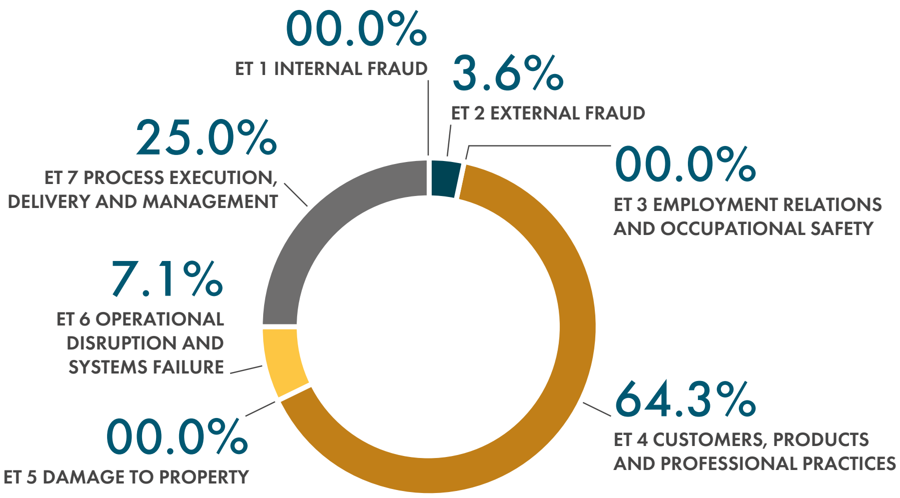
On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the end of the period situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

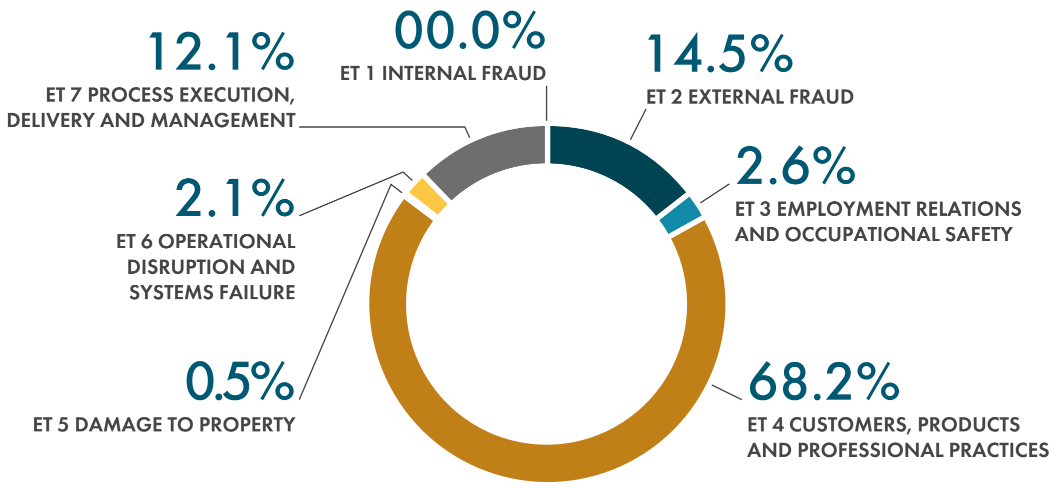
Information of a quantitative nature

With reference to the quantitative information, in continuation of the activity already started last year, in relation to the structured process of Loss Data Collection at the Group[27], the distribution by Event Type is reported.

Number of operational loss events with effects recorded in the first six months of 2022



Net operating losses in the first six months of 2022



[27] As at 30 June 2022, the process of recording Operational Risk events in the Loss Data Collection company tool was active for the Affiliated Banks, Allitude (limited to the Covid-19 event) and Claris Leasing.

Operational losses were mainly concentrated in the event type "ET 4 Customers, products and professional practices" (64.3% of frequencies and 68.2% of total impacts detected), followed by "ET 7 Execution, delivery and management of processes" (25.0% of frequencies and 12.1% of total impacts detected) and "ET 6 Interruption of operations and system dysfunction" (7.1% of frequencies and 2.1% of total impacts detected). Furthermore, in terms of total impacts detected, "ET 2 External Fraud" showed a distribution of 14.5%.

The Covid-19 pandemic had a 2.1% impact on total operating losses. The losses concerned primarily the purchase of masks, gloves, protection and sanitation devices, sanitation and extraordinary cleaning of the work areas. Among the effects generated by the Covid-19 pandemic, we note:

- paid leave (non-contractual): recognition of paid leave, in addition to that envisaged by the CCNL;
- other costs, included in the 2022 budget, not considered operational losses but expenses necessary to allow business continuity.

Legal risk

In carrying out their activities, the Group companies may be involved in legal disputes and proceedings. For these disputes and proceedings, adequate provisions have been made in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" and/or "possibility" as defined by IAS 37 and taking into account the most consolidated case law on the subject. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Group. For more detailed information, please refer to Part B, Section 10 – Provisions for risks and charges.

PART F - Information on consolidated equity

Section 1 – Consolidated equity

Information of a qualitative nature

Equity is the main safeguard against corporate risks associated with the Group's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the Supervisory Authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Group's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

To this end, the international and local supervisory bodies have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Group refers is that defined by EU Regulation no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital – (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Affiliated Banks;
- prudent management of investments, which takes into account the risk of counterparties;
- capital strengthening plans promoted by the Parent Company through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Group operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Group companies.

Moreover, at least every quarter, compliance with the minimum capital requirements, envisaged by the provisions in force, as per Art. 92 of the CRR shall be verified, based on which:

- the value of Common Equity Tier 1 capital in relation to total risk-weighted assets must be at least 4.5% (CET1 capital ratio);
- the value of Tier 1 capital in relation to total risk-weighted assets must be at least 6.0% (T1 capital ratio);
- the value of own funds in relation to total risk-weighted assets must be at least 8.0% (Total capital ratio).

The Capital Conservation Buffer of 2.5% was added to these minimum regulatory requirements.

Any failure by the Supervised Entity to comply with all these requirements (the Combined Requirement) will result in limitations on dividend distributions, variable remuneration and other elements of regulatory capital beyond pre-established limits, and as a result, Supervised Entities will be required to take appropriate action to restore the required level of capital.

Moreover, as of 1 January 2016, the Banks are required to hold a Countercyclical Capital Buffer. Starting from 1 January 2019, this reserve, consisting of Common Equity Tier 1, may not exceed 2.5% of the total amount of risk-weighted exposures.

Considering that, as per Bank of Italy notice of 25 March 2022, for the second quarter of 2022, the countercyclical buffer ratio for exposures to counterparties resident in Italy has been set at 0%, that countercyclical capital ratios have generally been set at 0%, and that the Group has mainly exposures to domestic entities, the Group-specific countercyclical ratio is close to zero.

Lastly, the Group must comply with the provisions deriving from the Supervisory Review and Evaluation Process (SREP) pursuant to Art. 97 et seq. of EU Directive no. 36/2013 (CRD IV). Through this process, the Competent Authority reviews and evaluates the process of determining capital adequacy conducted internally by the Group, analyses its risk profiles both individually and in the aggregate — including under stress conditions – assesses its contribution to systemic risk, the corporate governance system, and verifies compliance with the set of prudential rules.

At the end of the reporting period of these condensed consolidated half-yearly financial statements, the Group shows:

- a ratio of Common Equity Tier 1 capital - CET1 - to risk-weighted assets (CET 1 ratio) of 22.32%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 22.33%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 22,34%.

The amount of own funds is not only fully sufficient on all three binding capital levels, but also adequate to cover the Capital Conservation Buffer.

Information of a quantitative nature

B.1 Consolidated accounting capital: breakdown by type of company

ITEMS OF EQUITY	Prudential consolidation	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
1. Capital	1,274	-	-	-	**1,274**
2. Share premium	73	-	-	-	**73**
3. Reserves	6,401	-	82	(82)	**6,401**
4. Equity instruments	6	-	-	-	**6**
5. (Own shares)	(867)	-	-	-	**(867)**
6. Valuation reserves:	(124)	-	2	(2)	**(124)**
- Equities measured at fair value through other comprehensive income	(15)	-	-	-	**(15)**
- Hedging of equities measured at fair value through other comprehensive income	-	-	-	-	**-**
- Financial assets (other than equities) measured at fair value through other comprehensive income	(137)	-	2	(2)	**(137)**
- Tangible assets	4	-	-	-	**4**
- Intangible assets	-	-	-	-	**-**
- Hedging of foreign investments	-	-	-	-	**-**
- Cash flow hedging	-	-	-	-	**-**
- Hedging instruments [non designated elements]	-	-	-	-	**-**
- Exchange rate differences	-	-	-	-	**-**
- Non-current assets and groups of assets held for disposal	-	-	-	-	**-**
- Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-	-	-	**-**
- Actuarial gains (losses) from defined benefit plans	(13)	-	-	-	**(13)**
- Quotas of valuation reserves relative to shareholdings measured with the equity method	3	-	-	-	**3**
- Special revaluation laws	34	-	-	-	**34**
7. Profit (Loss) for the year (+/-) of the group and pertaining to minority interests	446	-	4	(4)	**446**
Total	**7,209**	**-**	**88**	**(88)**	**7,209**

Section 2 – Own funds and adequacy ratios

With regard to the contents of this section, reference should be made to the information on own funds and capital adequacy contained in the disclosure to the public (so-called Third Pillar), prepared in accordance with Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART H - Transactions with related parties

The Cassa Centrale Group, in compliance with the procedures provided for by sector regulations, has adopted the Group Regulation for the management of transactions with associated parties.

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Associated Parties carried out by the Group, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Associated Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For more strictly accounting purposes, the provisions of IAS 24 - Related party disclosures also apply; under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives with strategic responsibilities (including Directors, Standing Auditors and General Management members) of the entity preparing the financial statements:
    - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives with strategic responsibilities":
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - children (even if not living together) and the spouse (even if legally separated) or common-law spouse of that person;
        - the children of the spouse or common-law spouse of that person (provided they are living together);
        - the dependants of that person or the dependants of that person's spouse or common-law spouse for tax purposes;
        - the brothers, sisters, parents, grandparents and grandchildren - even if not living together - of that person.
- person who has significant influence over the entity preparing the financial statements.

Legal entity/legal person:

- entity controlled (direct, indirect or joint control) by one of the persons referred to in the previous point (natural persons);
- entity who has significant influence over the entity preparing the financial statements;
- entity that has control (joint control or otherwise) over the entity preparing the financial statements;
- BCC-CR-RAIKA belonging to the Cassa Centrale Group;
- the companies belonging to the Cassa Centrale Group (direct, indirect or joint control) as well as their subsidiaries;
- entity who has significant influence over a Group company and its joint ventures;
- associates and joint ventures and their subsidiaries;
- post-employment benefit plans for employees of the Group or a related entity.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

The table below shows, in compliance with the requirements of paragraph 17 of IAS 24, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other Executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AS AT 30/06/2022	
	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid
Salaries and other short-term benefits	10	6	4	3	18	17	32	26
Post-employment benefits (social security, insurance, etc.)	1	1	-	-	4	3	5	4
Other long-term benefits	-	-	-	-	-	-	-	-
Compensation for termination of employment	-	-	-	-	-	-	-	-
Payments in shares	-	-	-	-	-	-	-	-
Total	**11**	**7**	**4**	**3**	**22**	**20**	**37**	**30**

2. Information on transactions with related parties

The table below provides information on the balance sheet and income statement transactions with related parties during the period. It should be noted that transactions with related parties consolidated on a line-by-line basis are not included in this disclosure, as they are eliminated at consolidated level.

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Associates	72	33	6	-	3	1
Directors and Executives	33	81	6	86	-	3
Other related parties	278	558	48	516	3	1
Total	**383**	**672**	**60**	**602**	**6**	**5**

It should be noted that "Other related parties" include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties do not have a significant incidence on the financial situation, economic result and cash flows of the Group.

Independent Auditors' Report on the Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group

Deloitte.

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REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

To the Board of Directors of
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

Introduction

We have reviewed the accompanying condensed consolidated half-yearly financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. and subsidiaries (the "Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group"), which comprise the consolidated balance sheet as of June 30, 2022 and the consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated equity and consolidated cash flow statement for the six-month period then ended, and the related explanatory notes. The Directors are responsible for the preparation of the condensed consolidated half-yearly financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed consolidated half-yearly financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed consolidated half-yearly financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-yearly financial statements of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at June 30, 2022 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
October 12, 2022

This report has been translated into the English language solely for the convenience of international readers.

Our values expressed by the accessibility of our reporting

We are a part of the Community; we are dedicated to creating shared value with People and the Territory. Our decision to draw up **reporting documents** in compliance with the highest standards of accessibility – **one of the first Banking Groups in Italy to do so** – expresses our way of being and the values we pursue every day.

The **Consolidated half-yearly financial statements at at 30 June 2022** is easy to access from electronic devices and designed to offer a satisfying experience for readers of all abilities. Through these documents we communicate the actions carried out and results obtained during the year in an **accessible** way, making our **continuous dialogue** with stakeholders even more direct.

The table layout is imposed by stringent regulations established by the Bank of Italy and therefore may not be consistent with guidelines for full accessibility.

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