ANNUAL REPORT 2021

Creval | CRÉDIT AGRICOLE

Crédit Agricole - Credito Valtellinese

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2021

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LETTER FROM THE CHAIRMAN

2021 marked a milestone in Creval's history as it joined the Crédit Agricole Italia Group, with which we share principles, values and objectives.

We remain true to our origin as an entity strongly rooted in the communities where it operates, able to listen to and meet the requests of our Customers, standing by them and supporting them in fulfilling the needs. Being part of the Crédit Agricole Italia Group we are even more able to meet Customers' needs and, at the same time, we can stand out and be highly competitive. This is thanks to the complete and diversified range of products and services the Group can rely on, which is made even more effective by state-of-the-art digital tools.

In such a complex scenario as the present one, a time when green policies, social inclusion, circular economy and the enhancement of diversity have become pervasive and a focus point for the community the implementation of ESG policies is mandatory, as they are playing an increasingly important role.

The Group's focus on sustainability, which substantiates in its ESG products and services and in its initiatives and activities in the environmental and social fields, enables us to give tangible and fast response to our Customers' new demands.

2021 proved still affected by uncertainty resulting from the persistence of the Covid-19 pandemic and subsequent health emergency, which generated profound repercussions in the social, economic and financial scopes.

In this scenario, Creval continued to hold its Personnel's and its Customers' health as its top priority, while ensuring that the set objective be achieved.

The excellent performances posted in 2021 reflect the work, perseverance and sense of belonging of all Creval's men and women, who proved resilience, dedication and commitment, as well as the ability to quickly fit in the Crédit Agricole Italia new team, marking a new start and a new chapter in our story.

The Chairman
Filippo Zabban

CORPORATE OFFICERS AND INDEPENDENT AUDITORS

Board of Directors

CHAIRMAN

Filippo Zabban

DEPUTY-CHAIRMAN

Giampiero Maioli

DIRECTORS

Eufrasio Anghileri

Letteria Barbaro-Bour

Carlo Berselli

Matteo Bianchi

Bénédicte Chrétien

Pierre Débourdeaux

Elisa Dellarosa

Marco Di Guida

François-Edouard Drion

Simona Lo Sinno

Ivan Padelli

Antonella Salvatori

Carmela Adele Rita Schillaci

The Board of Directors was appointed nby the General Meeting of Shareholders on 18 June 2021.

Board of Auditors

CHAIRMAN

Francesca Michela Maurelli

STANDING AUDITORS

Paolo Cevolani

Alessandro Stradi

ALTERNATE AUDITORS

Simonetta Bissoli

Francesco Fallacara

General Management

GENERAL MANAGER

Roberto Ghisellini

DEPUTY GENERAL MANAGERS

Umberto Colli

Giliane Coeurderoy

Vittorio Pellegatta

Enzo Rocca

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Simona Orietti

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

KEY FIGURES

Income Statement highlights (thousands of Euro)	2021	2020	2019
Net operating income	554,932	601,517	635,808
Operating margin	106,816	195,064	197,086
Profit (Loss) for the period	(234,645)	113,196	56,240

Balance Sheet highlights(°) (thousands of Euro)	2021	2020	2019
Loans to Customers	17,358,904	19,636,067	19,523,742
Of which Securities measured at amortized cost	*4,219,056*	*4,661,562*	*5,038,585*
Funding from Customers	17,995,433	17,733,069	18,812,160
Indirect funding from Customers	11,213,208	10,440,722	10,365,993

Operating structure	2021	2020	2019
Number of employees	3,455	3,521	3,634
Average number of employees	3,254	3,335	3,461
Number of branches	355	355	362

Profitability, efficiency and credit quality ratios	2021	2020	2019
Cost(*)/income ratio	68.6%	62.9%	65.8%
Net income for the period/Average equity (ROE)	-14.3%	6.6%	3.5%
Net income for the period/Average Tangible Equity (ROTE)	-14.4%	6.7%	3.5%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	8.0%	5.8%	9.4%
Net non-performing exposures/Net loans to customers (net NPE ratio)	4.1%	3.1%	4.7%
Total Impairments of non-performing loans/Gross non-performing loans to Customers	51.9%	48.3%	52.3%

Capital and liquidity ratios	2021	2020	2019
Common Equity Tier 1 ratio	17.5%	24.5%	20.6%
Tier 1 ratio	17.5%	24.5%	20.6%
Total capital ratio	19.7%	26.5%	22.6%

(*) This ratio was calculated excluding the ordinary and extraordinary contributions to the Banking System, the costs incurred to handle the Covid-19 health emergency and the costs incurred to provision for the voluntary redundancy scheme within the Next Generation Plan.

(*) This ratio was calculated excluding the ordinary and extraordinary contributions to the Banking System, the costs incurred to handle the Covid-19 health emergency and the costs incurred to provision for the voluntary redundancy scheme within the 2021 Next Generation Plan.

THE CRÉDIT AGRICOLE GROUP

- Retail Bank in Europe
- European Asset Manager
- Bancassurer in Europe

KEY FIGURES

53
million Customers

47
Countries

147,000
personnel members

8.5 bln€
underlying net income*

126,498 mln€
equity - group share

17.5%
CET 1 ratio

RATINGS

A+	Aa3	A+/AA-	AA(low)
S&P Global Ratings	Moody's	Fitch Ratings	DBRS

* 9.1 bln€ net profit "publiable".

THE CRÉDIT AGRICOLE GROUP IN ITALY

Player
in the Italian
consumer
finance market

Asset
manager
in Italy

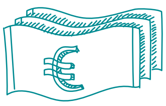
KEY FIGURES

5.2

million customers*

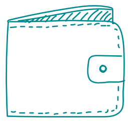
Over 17,300

personnel members**



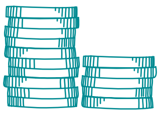
989 mln€***

net income - Group share



4.1 bln€

net operating income



323 bln€

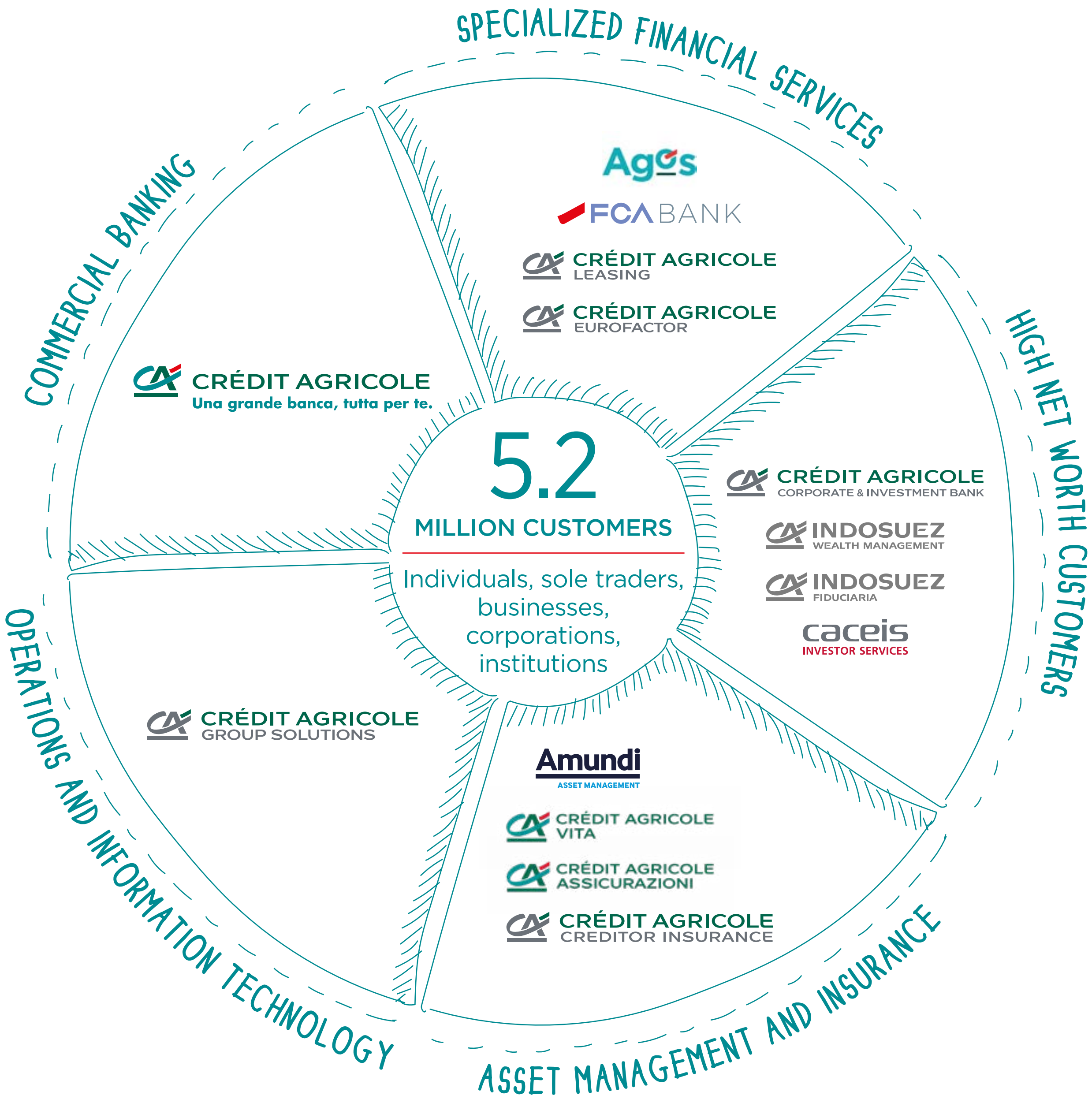
customers' deposits and funds

92 bln€

loans to customers

* Of which 600,000 Creval.
** Of which 3,400 Creval.
*** Of which 751 mln€ attributable to the Crédit Agricole Group.

THE GROUP'S OFFER IN ITALY



THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The **Crédit Agricole Italia Banking Group**, through its commercial banks, is a proximity banking player that covers all market segments, thanks to its distinctive positioning based on Customer centrality.

2.7
million Customers

Over 13,000
personnel members

346 mln€*
net income - Group share

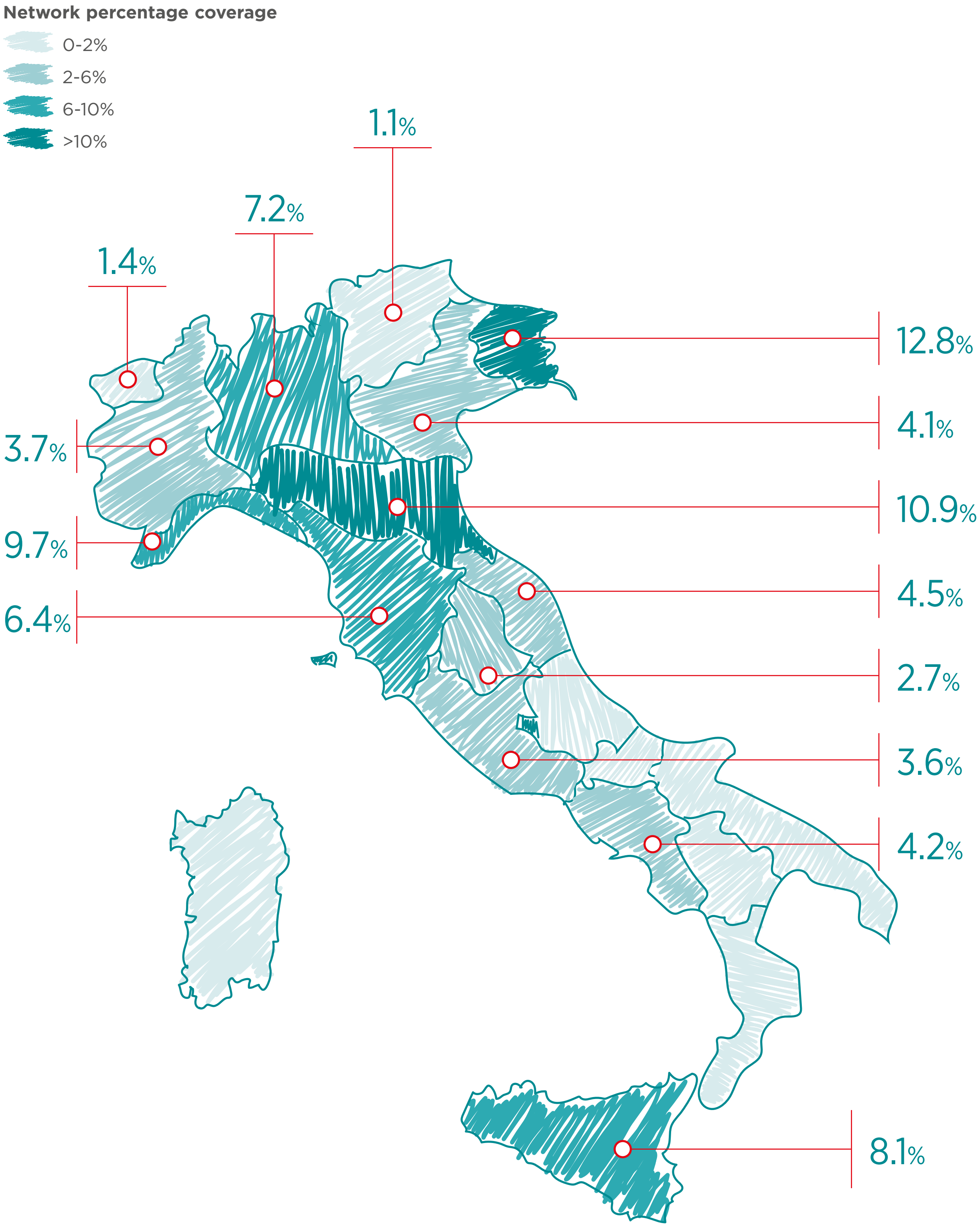
2.3 bln€
net operating income

1,380
points of sale

65 bln€
total loans

* Excluding non-recurring effects; 607 mln€ including non-recurring effects.

BRANCH NETWORK PERCENTAGE COVERAGE BY REGION



CRÉDIT AGRICOLE

The Parent Company of the Crédit Agricole Italia Banking Group; it is one of the leading Italian banks. is strongly rooted in Italy and originated from local banks.

832
points of sale

43.2 bln€
loans

122.7 bln€
total funding

CRÉDIT AGRICOLE FRIULADRIA

In 2007 Crédit Agricole FriulAdria joined the Group. Today it is **the bank of choice for households and businesses in Northeast Italy.**

196
points of sale

8.1 bln€
loans

18.4 bln€
total funding

Creval

Creval became part of the Crédit Agricole Italia Banking Group after the success of the public tender offer in April 2021. It operates in 11 Italian Regions.

355
points of sale

13.9 bln€
loans

29.2 bln€
total funding

CRÉDIT AGRICOLE LEASING

The Crédit Agricole Italia Banking Group's leasing entity. Crédit Agricole Leasing Italia **operates in the equipment, vehicle, real estate, seacraft and aircraft and renewable energy** financial leasing segments. **At the end of 2021, the loan portfolio amounted to Euro 2,269 Bln.**

CRÉDIT AGRICOLE GROUP SOLUTIONS

CAGS is the consortium company of the **Crédit Agricole Italia Banking Group** in charge of all activities relating to **Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, as well as Human Resources Administration.**

Crédit Agricole - Credito Valtellinese

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2021

FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE MEASURES

Income Statement highlights(°) (thousands of Euro)	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net interest income	331,420	340,185	-8,765	-2.6
Net fee and commission income	242,522	230,858	11,664	5.1
Dividends	1,187	761	426	56.0
Financial income (loss)	(22,143)	20,854	-42,997	N.s.
Other operating income (expenses)	1,946	8,859	-6,913	-78.0
Net operating income	554,932	601,517	-46,585	-7.7
Operating expenses	(448,116)	(406,453)	41,663	10.2
Operating margin	106,816	195,064	-88,248	-45.2
Cost of Risk(a)	(591,585)	(123,424)	468,161	N.s.
O/w net adjustments to loans	*(497,279)*	*(123,433)*	*373,846*	*N.s.*
Profit (Loss) for the period	**(234,645)**	**113,196**	**-347,841**	N.s.

Balance Sheet highlights(°) (thousands of Euros)	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Loans to Customers	17,358,904	19,636,067	-2,277,163	-11.6
Of which Securities measured at amortized cost	*4,219,056*	*4,661,562*	*-442,506*	*-9.5*
Net financial assets/liabilities at fair value	118,982	188,583	-69,601	-36.9
Financial assets measured at fair value through other comprehensive income	650,303	855,467	-205,164	-24.0
Equity investments	24,600	20,573	4,027	19.6
Property, plant and equipment and intangible assets	390,720	541,772	-151,052	-27.9
Total net assets	20,467,007	22,351,535	-1,884,528	-8.4
Direct Funding from Customers	17,995,433	17,733,069	262,364	1.5
Indirect funding from Customers	11,213,208	10,440,722	772,486	7.4
of which: asset management	*8,625,131*	*7,816,279*	*808,852*	*10.3*
Net due to banks	57,954	2,009,936	-1,951,982	-97.1
Equity	1,512,968	1,774,414	-261,446	-14.7

Operating structure	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Number of employees	3,455	3,521	-66	-1.9
Average number of employees(§)	3,254	3,335	-81	-2.4
Number of branches	355	355	-	-

(°) The income statement and balance sheet data are those restated in the reclassified financial statements.
(a) The cost of risk includes provisions for risks and charges, net adjustments to loans and net adjustments to securities.
(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time personnel is conventionally weighted at 50%.

Structure ratios(°)	31 Dec. 2021	31 Dec. 2020
Loans to Customers/Total net assets	64.2%	67.0%
Direct funding from Customers/Total net assets	87.9%	79.3%
Asset under management/Indirect funding from Customers	76.9%	74.9%
Loans to Customers/Direct funding from Customers	73.0%	84.4%
Total assets/Equity	16.8	13.5

Profitability ratios(°)	31 Dec. 2021	31 Dec. 2020
Net interest income/Net operating income	59.7%	56.6%
Net fee and commission income/Net operating income	43.7%	38.4%
Cost(*)/income	68.6%	62.9%
Net income for the period/Average equity (ROE)(a)	-14.3%	6.6%
Net income for the period/Average Tangible Equity (ROTE)(a)	-14.4%	6.7%
Net income for the period/Total net assets (ROA)	-1.1%	0.5%
Net income for the period/Risk weighted assets	-3.3%	1.4%

Risk ratios(°)	31 Dec. 2021	31 Dec. 2020
Gross bad loans/Gross loans to customers	1.0%	1.9%
Net bad loans/Net loans to customers	0.2%	0.7%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	8.0%	5.8%
Net non-performing exposures/Net loans to customers (net NPE ratio)	4.1%	3.1%
Net adjustments to loans//Net loans to Customers	0.72%	0.78%
Cost of risk(b)/Operating margin	55.9%	63.3%
Net bad loans/Total Capital(c)	1.8%	5.3%
Total Impairments of non-performing loans/Gross non-performing loans to Customers	51.9%	48.3%
Total adjustments to performing loans/Gross performing loans to Customers	0.6%	0.4%

Capital and liquidity ratios	31 Dec. 2021	31 Dec. 2020
Common Equity Tier 1(d)/Risk-weighted assets (CET 1 ratio)	17.5%	24.5%
Tier 1(e)/Risk-weighted assets (Tier 1 ratio)	17.5%	24.5%
Total Capital(c)/Risk-weighted assets (Total capital ratio)	19.7%	26.5%
Risk-weighted assets (Euro thousands)	7,185,973	8,037,729
Liquidity Coverage Ratio (LCR)	274%	238%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements.
(*) This ratio was calculated excluding the ordinary and extraordinary contributions to the Banking System, the costs incurred to handle the Covid-19 health emergency and the costs incurred to provision for the voluntary redundancy scheme within the 2021 Next Generation Plan.
(a) The ratio of net earnings to the equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisions for risks and charges, net adjustments to loans and net adjustments to securities.
(c) Total Capital: total own funds.
(d) Common Equity Tier 1: Common Equity Tier 1.
(e) Tier 1: Tier 1 Capital.

MANAGEMENT REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

The international macroeconomic scenario in 2021[1]

In 2021 the international macroeconomic scenario confirmed the signs of recovery that started to be seen in the first half of the year despite the risks generated by the new variants of the virus, thanks mainly to some key factors, such as progressive vaccination and the announcement of further and important tax support, based on which the GDP global growth has been estimated at about +5.5% YoY, the most robust rebound after a crisis in over 80 years.

As regards the development in the **health situation**, the spreading of the Delta variant in the summer months at first caused infections to grow on a global scale, but the increase in deaths was less pronounced in the areas with higher vaccination rates. From September the number of Covid cases gradually decreased and became lower than the early July number. From early November the number of cases increased again on a global scale due to the spreading of the Omicron variant, to a higher rate in Europe and in the USA, where the hospital admissions and deaths also increased. Hospital admissions and deaths increased less considerably than in the previous epidemic waves thanks to vaccination campaigns. In H2 2021 global mobility was markedly higher than in the previous year.

Trade went back to its before-pandemic levels, but tensions emerged in the procurement of commodities and intermediate inputs, partly associated with the rapidity of growth, which caused “bottlenecks” throughout value chains worldwide on the supply side. Inflation expectations consequently increases: in mid-October 5-year forward inflation expectations, i.e. financial market-based expectations, were about +2.7% YoY, factoring in that supply bottleneck may continue to impact on prices for a longer period than initially expected.

The economic recovery was uneven across countries and production sectors. Specifically, emerging markets and developing countries have been experiencing weaker recovery than advanced economies as a consequence of still low progress in vaccination, as well as of modest political response.

The countries that proved able to best respond to the difficulties started in 2020, year 0 in the pandemic spreading and initiator of the health crisis include China and the USA (with their GDP growing by +8.1% and +5.6% respectively), as well as the United Kingdom (+6.9%) and, in the Euro Area, France (+6.8%) and Italy (+6.2%). The Chinese economy posted the most material rebound of all, with positive signs in all economic aggregates, although, in the last part of the year, the measures deployed by the government to manage the health emergency had to be tightened again and the pursued reduction in energy consumption, which caused new disruption in activities. In the United States, the economic recovery took off must faster than in many other countries, as early as in the first months of 2021, thanks especially to consumer and business confidence, which always remained quite high, actually driving the economic cycle.

In Q3 2021 the GDP of the Euro Area further grew by +2.3% t/t, driven by the marked increase in household consumption. The expansion of the added value of services further stepped up, whereas the construction industry slowed down and manufacture essentially stagnated, which mainly reflected the decrease in Germany due to the extended difficulties experienced by enterprises in procurement. The GDP grew, albeit at difference paces, across all the largest economies in the Area Based on the available indicators, the economic activity would markedly weaken in Q4.

1 Source: Bank of Italy, Economic Bulletin 1/2022 (January 2022).

Furthermore, the economic cycle recovery went alongside **accelerating inflation worldwide**, which was driven by higher prices of oil and commodities generating impacts in the various phases of the price system design. On this point, in the Euro Area inflation grew by +3.4% in 2021, mainly driven by the marked increase in the energy component, as well as by temporary factors associated with the tax measures deployed by Germany in 2020. After decreasing in August, oil prices grew again above their July figures, driving global inflation, albeit futures expect oil prices to decrease in the medium term. Volatility remained high, reflecting the uncertainty on the pandemic development. Natural gas prices considerably increased, especially in Europe, driven also by the very cold winter, which caused reduction in reserves, slowdown in production and faster than expected recovery.

Nevertheless, long-term inflation expectations based on financial markets remained at values compatible with the targets set by Central Banks.

Monetary policies

Subsequent to the uncertainties in the economic situation, the main Central Banks are continuing to implement different **monetary policies**:

- At the Federal Open Market Committee (FOMC) meeting held in December, the **Fed** confirmed its monetary policy, leaving rates unchanged and ranging between 0.00% and 0.25%, reasserting that full employment is the key in the United States' monetary policy. In light of inflation developments, the Fed also announced its intention to double the pace of tapering its monthly asset purchases, which had started in November. Specifically, the Fed will reduce its monthly purchases of USA Treasury securities by 20 Dollars each month and its purchases of US agency mortgage-backed securities by 10 billion Dollars every month;
- The **European Central Bank** decided to extend the duration and range of its different monetary policy instruments deployed in 2020, confirming its accommodative stance. Interest rates have been kept unchanged: the reference rate continues to be zero, while the deposit facility rate is negative, at -0.5%. Other monetary policy measures included: (i) The increase in the Pandemic Emergency Purchase Programme (PEPP) from 500 billion Euro to 1,850 billion Euro and extension of its duration to at least the end of March 2022 (vs. June 2021), (ii) recalibration of the conditions of its third programme of Targeted longer-term refinancing operations (TLTRO-III), also extending the period in which banks can obtain favourable conditions to June 2022, increasing borrowing limits and and announcing another three operations scheduled between June and December 2021, (iii) extension of collateral easing measures from April 2020 to June 2022, (iv) announcement of four additional pandemic emergency longer-term refinancing operations (PELTROs) in 2021 to provide liquidity backstop. On 8 July 2021 the ECB published a statement setting out its new monetary policy strategy, which will be reviewed in 2025, confirming the objective of maintaining price stability in the Euro area, aiming at a 2% inflation target in the medium term, but with said target being "symmetric" (preventing both negative and positive deviations of inflation from the target);
- At its meeting held on 15 December, the **Bank of England** reviewed its current monetary policy measures confirming its 2% inflation target in a manner fit to support growth and employment, increasing its bank rate by 0.15 percentage points to 0.25%. The Monetary Policy Committee voted unanimously for the BoE: (i) To maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion; (ii) to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves at £875 billion and so the total target stock of asset purchases at £895 billion.

Main economies[2]

The **Gross World Product grew by +5.8% in 2021**, considerably recovering from the marked decrease it posted in 2020 (-3.2% YoY). The international scenario benefited from a rebound across all segments of the economy, despite a new spike in Covid cases in the last part of the year, which weakened the momentum gained in the first months of 2021:

- Despite the slowdown in the growth pace in Q3 2021, which was largely due to the virus new delta variant and to the new wave of cases, the **United States**[4] GDP continued to increase at a fast rate, which resulted in +5.6% growth on an annual basis. The unemployment rate decreased (4.2%), although the way back to 2019 employment rate seems still quite long and the measured deployed by businesses for hour pay increase. The Consumer Price Index (+6.2% in November) reached a new peak, driven also by the upward trend in pays, as well as by the high commodity prices; nonetheless, the downturn in households' propensity to consume (already partially dampened by restrictive measures) can be considered curbed by accumulated

2 Source: Prometeia, Forecast Report (December 2021).

savings and by the new measures deployed by the government (an investment plan for approximately 570 million Dollars in 5 years), which will be implemented also through tax increases;

- In 2021 **China's**[3] GDP grew by +8.1% vs. the previous year, posting the most material increase in the last ten years, although the figures on a quarterly basis showed a progressive decrease in the expansionary phase during the year, especially in Q4 (+4% YoY) due to the crisis in the real estate market and to a new spike in Covid-19 cases, which brought about a zero tolerance policy to fight the virus. In general, all the main economic aggregates increased, specifically the industrial output grew by +9.6% YoY, thanks to the high-tech sector, while the balance of trade increased by +21.4% YoY. Consumer prices increased by +0.9% YoY, with the increase being of +0.8% if food and energy prices are excluded. On their part, industrial producer prices grew by +8.1% YoY;
- **Japan's**[4] economy was very affected by the severe restrictions deployed after the declaration of the fourth state of emergency due to the Covid-19 pandemic. Overall, the economy grew by +1.5% YoY. The negative effects of the restrictive measures in force also impacted on household consumption and consequently, in November, new expansionary measures were approved (amounting to 6.7% of the GDP), aimed at driving the recovery of the health sector, of production activities and of individuals' propensity to consume;
- in **India**[4], the renewed stimulus to growth in consumption and investment (both domestic and foreign), due to the easing of restrictions and the important progress of the vaccination campaign, drove the rebound of GDP at +8.6% y/y. Consumer inflation is declining (expected at +5.1% y-o-y4), mainly due to prices of agricultural products, although the outlook for commodity price increases suggests a new upturn. Prices of raw materials suggest a new rise in the index. It is believed that the improving general picture can support a continuation of the recovery;
- in **Russia**[4] the economy grew by +3.2% YoY due to poor vaccination coverage and to weak demand, especially in certain sectors, such as manufacturing, freight transport and construction, and to the drop in PMIs. In October 2021, inflation reached a new peak (+8.1%) prompting the central bank to keep a restrictive stance;
- The economy of the United Kingdom4 continued to feature high consumer and business confidence indexes, despite the uncertainty caused by the Omicron variant. This reflected in the GDP growing by +6.5% YoY. The service sector was the best performing one, featuring strong rebound in foreign demand thanks to recovery in tourism, whereas the manufacturing sector suffered the most material slowdown, especially in the last months of the year. The decrease in the unemployment rate (4.3% as at the end of September) contributed to supporting private consumption, counteracting the pressure of inflation on purchasing power.

The Euro Area

The projections made in December 2021 by the Eurosystem experts expect material recovery in economic activity with pre-pandemic output levels and the GDP growth rate that should hit +5.1% YoY (slightly above the previous forecast of +4.8%). Private consumption proved the main driver of growth, with another contribution given by net exports. Specifically, the service sector gave an important contribution to growth, especially in its hospitality and leisure industries, which benefited from the progressing easing of restrictions during the summer. In the meantime, the manufacturing and construction sectors suffered from the worsening supply shortages caused by procurement disruption and by the increase in energy prices.

Based on the latest information, after two quarters of strong expansion, the economic activity in the Euro Area would seem to have shown some slowdown in the last part of the year, due to the increase in the number of Covid cases and the consequent re-deployment of preventive measures that became stricter and stricter, as well as to the persistence of bottlenecks in supply, which are hindering manufacturing production.

Inflation hit its all-time high since the start of the Monetary Union (+2.6% YoY), being mainly affected by the exceptional increase in energy prices.

Industrial output[5] continued on its way towards recovery but showed signs of some slowdown starting from the summer months, because of the tensions in supply chains, which caused a contraction in the production of capital goods, such as vehicles and machinery. **Inflation is increasing also in Europe**: the flash estimate published in December[6] expected the harmonised index of consumer prices to increase +5.0% YoY. Having regard to the main inflation components in the Euro Area, energy is expected to post the highest annual rate in December (+26.0% YoY), followed by food and tobacco (+3.2% YoY), non-energy industrial goods (+2.9% YoY) and services (+2.4% YoY).

3 Source: National Bureau of Statistics of China (January 2022).

4 Source: ECO, Macroeconomic scenario 2022-2023 (December 2021).

5 Source: Eurostat 7/2022 (January 2022).

6 Source: Eurostat 2/2022 (January 2022).

Unemployment rate[7], it came to 7.2%, decreasing vs. its figure in the previous year of 8.1%.

In **Germany**[4] the GDP growth progressively slowed down in H2 2021 (annual figure +2.7%). Said trend resulted from the strong positive contribution of household consumption and the negative contribution of foreign demand The manufacturing sector – especially the automotive industry – posted its third consecutive quarterly contraction, coming to -8pp below the 2019 closing figures, due to the lasting difficulties in procurement experienced by enterprises.

In **France**[4] the 2021 GDP growth rate was +6.8% vs. -8.0% in the previous year, in line with the expected trend. This performance is the result of a negative contribution from the foreign component (-0.2pp), and of a positive one from domestic demand (+1.2pp). The manufacturing sector showed marginal contraction, whereas the construction one performed well.

In **Spain**[4] the GDP grew by +4.4% vs. the end of 2020, speeding up vs. the year opening expectations The increase was driven by the foreign component, whereas domestic demand gave essentially no contribution. The contribution from household consumption was slightly negative, bucking the component trend in the other European countries.

Following the suspension of the Stability and Growth Pact, the fiscal measures deployed by the EMU member states to respond to the pandemic were quite considerable: around 4% of the GDP in 2020 and increasing to above 5% of the GDP in 2021, with stronger measures to support economic recovery.

The EU approved temporary support measures for a total of Euro 540 billion, such as SURE, EIB and ESM funds, on top of the Next Generation EU longer terms ones, which will be implemented in the 2021-2026 period and, overall, will make Euro 750 billion available to the Member States, partly as loans (up to Euro 360 billion) and grants (up to Euro 390 billion) to be paid out through seven programmes – the main one being the Recovery and Resilience Facility (RRF), which covers the entire loan portfolio and 80% of grants.

As seen, the support measures mostly reflected in higher expenditure, for government investments, strengthened by the programmes within the national Recovery and Resilience Plans of the individual countries. Many countries have already obtained the European Council's approval of their plans and therefore the 13% pre-financing payment. Overall, the approved plans amount to a total of 448 billion Euros, equal to 3.3% of the Euro Area GDP.

The Italian economy

In 2021, the Italian economy grew by +6.2%[8] vs. 2020, with continuous expansion in all quarters, albeit at a progressively slower pace during the year. In the spring, especially retail, transportation and accommodation spending started to regain momentum (thanks to the easing of the measures deployed in the worst phases of the pandemic) and drove the acceleration in the activity of the tertiary sector as a whole. Conversely, added value slowed down in the construction industry and, to a lesser extent, in manufacturing, after the strong expansion posted in the first part of the year.

Households' **final consumption expenditure**[9] progressively grew throughout the first nine months of the year, increasing by +5.3% YoY (+3.6% QoQ), driven by purchases of goods and especially of services.

In December 2021 **consumer confidence**[10] came to 117.7, driven by the opinions on the general economic situation, on household budgets and on the present expediency of purchasing durable goods, strengthening the upward trend throughout the year and hitting its all-time high since 2012. The same can be said for **business confidence**, which, albeit slightly decreasing in December due to worsening expectations about manufacturing output, about orders in the service sector and about employment, nonetheless remained at historically high levels.

In the first three quarters, the **State**[9] posted total net debt amounting to -8.8% of the GDP, improving vs. -11.1% in the same period of 2020. In the first nine months of 2021, in terms of weight on the GDP, the primary

7 Source: Eurostat 4/2022 (January 2022).
8 Source: ISTAT, Quarterly Economic Accounts (March 2022).
9 Source: ISTAT, Quarterly Account of Public Administrations, households income and saving and company profits (January 2022).
10 Source: ISTAT, Consumer and business confidence (December 2021).

balance and the revenue balance were both negative, amounting to -5.3% (-7.5% in Q1 2020) and to -3.7% (-6.4% in Q1 2020), respectively.

In 2021 **industrial output**[11] increased by 11.8% vs. 2020 when it had decreased by -11.4%. The annual growth was posted across all the main manufacturing clusters and proved higher in intermediate goods and capital goods. Considering the evolution in the economic situation in 2021, the comprehensive index increased in all four quarters, albeit progressively slowing down in the course of the year. Specifically, the economic activity sectors that posted the highest increases vs. the same period of the previous year were the manufacturing of rubber and plastic products (+18.8%), the manufacturing of electrical equipment (+18.6%) and the metalworking and manufacture of metal products industry (+17.5%). Machinery manufacturing also grew (+15.3), as did the wood sector and the clothing and textile industries (+12.1% and +10.0%, respectively). The extractive sector was the only one posting decreases vs. the same period of the previous year (-7.0%).

The economic climate improvement generated, in the period between January and November 2021, growth in **gross fixed investments**[9] which went up by +16.3% vs. the same period of 2020, whereas the annual change in Q3 was of +19.7%, confirming the excellent overall quarterly figure.

The expansion in the Italian economy generated positive impacts also on **foreign trade**[12]. **Exports** progressively increased throughout the year, driven especially by the sales of intermediate goods and energy. On a period- on-period basis, the export growth sped up reaching +18.2% (January-December 2021/January-December 2020) and was posted in all sectors, especially in the energy one (+74.5%). The sales of chemical, pharmaceutical, food and metal products accounted for approximately half of the period-on-period increase in exports. **Imports** had a similar performance (+24.7% January-December 2021/January-December 2020) posting a strong period-on-period growth across all sectors, except for the automotive one, and across all partner countries. Import prices showed an increasing trend (+15.6% in 2021 on a yearly basis vs. 2020) especially in H2 and especially in the energy sector.

In 2021, after decreasing in 2020 (-0.2%), **consumer prices**[13] reverted to growth in terms of year average (+1.9%), posting the highest increase since 2012 (+3.0%). The inflation increase in 2021 was essentially driven by the performance of Energy prices (+14.1%), which had conversely decreased by -8.4% in 2020. Net of these goods, in 2021, the increase in consumer prices was the same as in the previous year (+0.7%). The increase in prices already posted in Q1 (+0.1%), became higher in the following quarters, reaching its peak in Q4 (at +5.0%). In 2021, the performance of goods prices and of the general index was driven by Energy prices, which increased by a year average of +14.1% (from -8.4% in 2020) and also posted their highest increase in Q4 (+28.3%).

In 2021 the labour market markedly improved: in December the **unemployment rate**[14] came to 9.0%, vs. 9.8% in December 2020. Likewise, the employment rate increased coming to 59.0%, up by 1.9 pp vs. December 2020, while the inactivity rate decreased by 1.4 pp coming to 35.1% in December 2021.

The implementation of the reform and investment projects within Italy's **National Recovery and Resilience Plan (Italian acronym PNRR)**, which was approved in July 2021 by the European Commission, started in August with the payment of the first pre-financing tranche of Euro 24.1 billion. As a whole, Italy's Recovery and Resilience Plan provides for total resources of Euro 235.61billion comprising NGEU funds amounting to Euro 205 billion, to which the Italian Government is going to add Euro 30.6 billion to fund a complementary national plan that will be implemented along with the EU programme. Out of the Euro 235 billion total, an amount of Euro 191.5 billion is linked to the Recovery and Resilience Facility (RRF), the financing of which is subject to the condition that agreed milestones and targets are fulfilled, for a total of 527 conditions to be met, of which 51 to be achieved by the end of 2021. Italy's national Recovery and Resilience Plan is based on six missions structured over three horizontal strategic priorities: digital transition, green transition and social inclusion. Nearly 40% of the total resources has been earmarked for the green transition, 27% for digitalization and 40% for the development of South Italy.

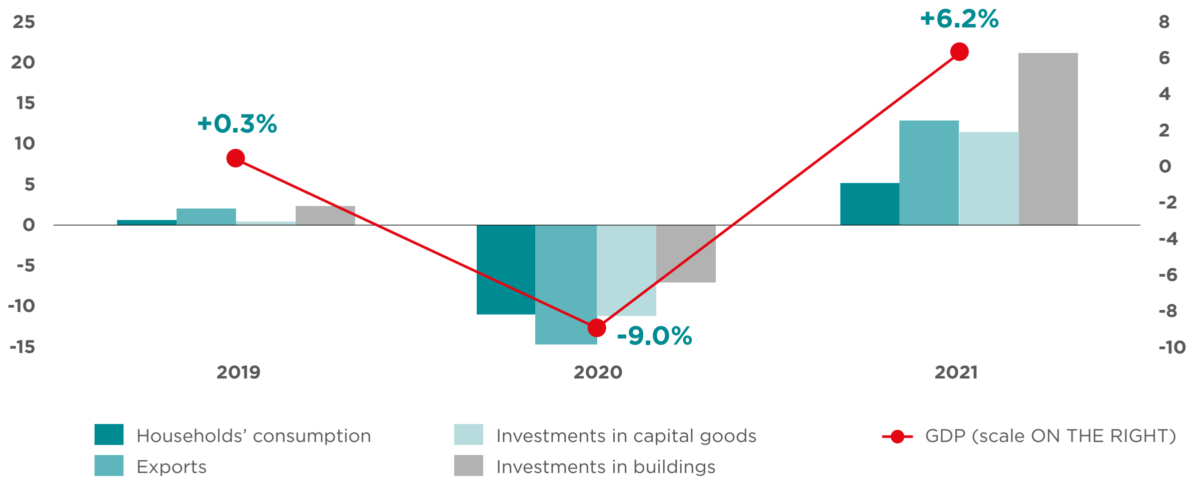
11 Source: ISTAT, Industrial production (February 2022).

12 Source: ISTAT, Foreign trade and import prices (February 2022).

13 Source: ISTAT: Consumer prices – provisional data (January 2022).

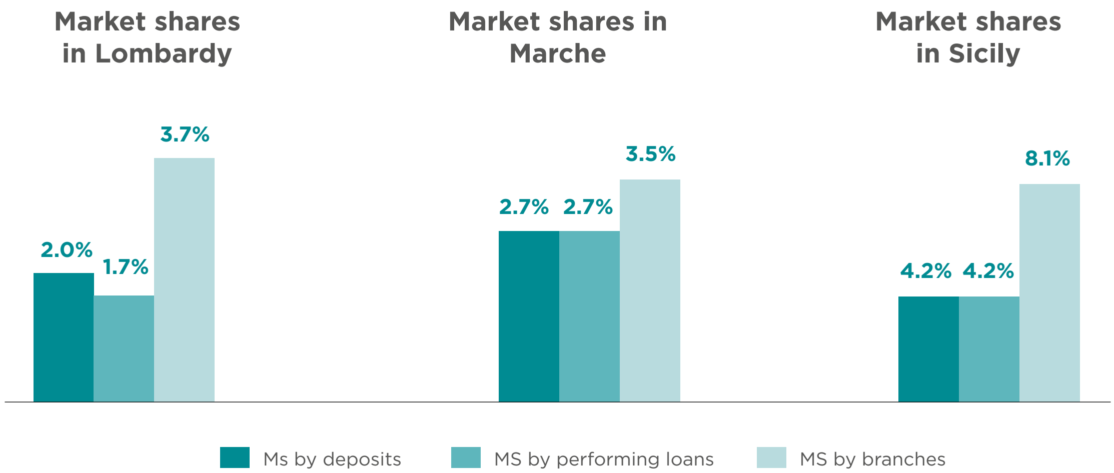
14 Source: ISTAT Employment and Unemployment (February 2021 provisional data).

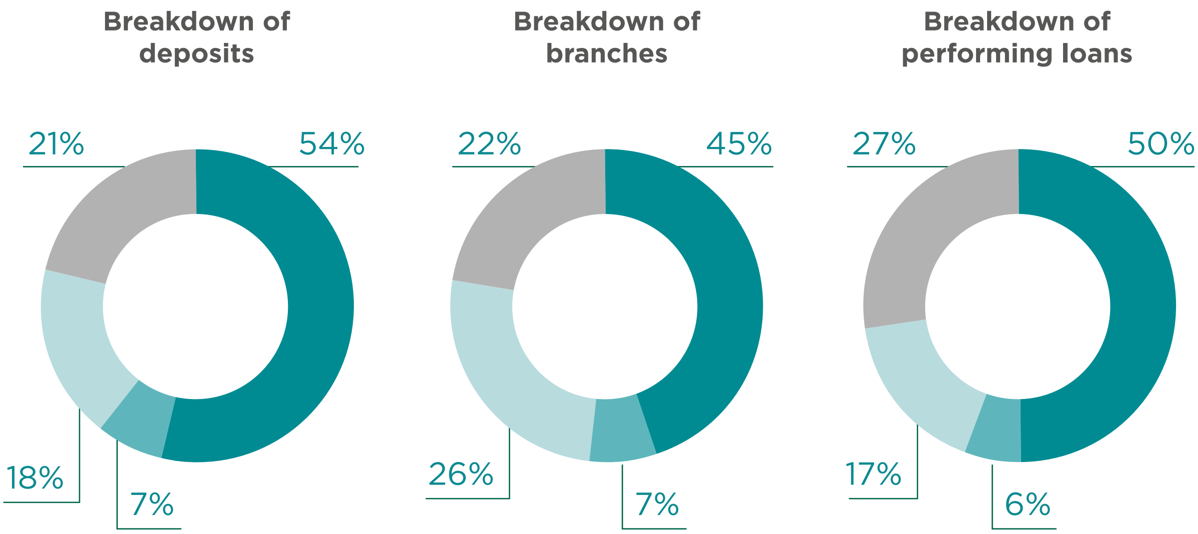
Italy: GDP and its components



ECONOMY OF THE REGIONS WHERE CREVAL LARGELY OPERATES[15]

The Italian regions where Credito Valtellinese has long been operating are Lombardy, Marche and Sicily. In those 3 Regions 278 branches are located, accounting for 78% of total branches. These Regions account for over 73% of the loans originated by the Bank (performing loans) and for over 79% of deposits. Over the years, Lombardy has proved the regions where Credito Valtellinese has its strongest roots with 45% of its branches located in all the provinces of the region. On total deposits and loans, Lombardy account for over 50% of the Bank's total funding.





(Benchmarked against Bank of Italy data as t September 2021).

15 Source: Prometeia, Scenario Economie Locali (Scenario for Local Economies October 2021).

Lombardy[16]

In 2021 the economy of Lombardy grew by approximately +6,4% after plummeting by -9.2% in 2020 due to the pandemic crisis, which brought manufacturing activities and consumption to a halt for most of H1 2020. Also in Lombardy, the post-2020 recovery was V-shaped, with the economy suffering a sharp economic decline and then experiencing a fast and strong rebound after the reopening or mitigation to the restrictions to social activities. Despite limitations being in force also in some periods of 2021, they never were as strict as in 2020 and thus favoured resumption of economic activities. At the end of 2021 the Lombardy GDP had grown by 6.4%, slightly above the Italian average figure. It is to be remembered that growth estimates were revised up many time times during the year giving evidence of the good health of the Region economic fabric.

At the time of preparation of this report, the latest available data on Lombardy's industrial output, referred to Q3 2021. Said data report growth of +2.5% and of +12% period-over-period. After the negative growth in Q1 and Q2 2020, the quarterly time series for output shows constant recovery, first at a faster pace, consistently with a V-shaped recovery, and then slower, but with the outlook remaining positive in the long term despite the reasonable repercussions that are being generated by the pandemic fourth wave caused by the Omicron variant. The Region's industrial production hit its all-time high beating its previous peak reached in 2008 as well as the 2019 figure, giving evidence that the regional manufacturing aggregate went back to its pre-pandemic levels. In the last period, the recovery in production was driven by orders, both domestic ones, which remained well above their pre-crisis levels, and international ones (domestic orders up by +12.4% and international ones up by +14.7%). In the year, craft enterprises, which were worst hit during the crisis darkest period, also proved able to recover achieving performances just a little lower than those of the largest enterprises. In Lombardy, recovery has been driven by the iron and steel, chemical, rubber-plastic, mechanical and non-metallic minerals industries, whereas the fashion industry experienced again higher difficulties. In this scenario, the positive outlook for demand and production are being affected by increasing problems due to the spike in the prices of commodities and semi-finished products, as well as to the higher prices and shortage of materials resulting from the ongoing tensions in global supply chains.

The tourism industry continues to be penalized by the restrictions imposed by governments to international travelling, as well as by the caution showed by customers; the health situation also limited both business and cultural tourism to a minimum (both in their domestic and foreign components). The latest surveys have shown that, in the first eight months of 2021, tourist arrivals in Lombardy increased by 24% vs. the same period of 2020, but, if compared with the pre-pandemic data, they decreased by 56%.

Investments, which had decreased by over -9% in 2020, increased by over +15% in the reporting period. Investments were driven by the construction sector, the added value of which increased by over +20% in 2021.

Marche[17]

In 2021 the economic situation of the Marche Region posted a marked improvement. After the GDP plummeted by -9.2% in 2020, the economic growth in 2021 has been estimated at +6.1% YoY.

The Marche economy will recover from its 2020 drop not before 2023, albeit with a gap that is smaller than the average one for Italy. In H1 the manufacturing output materially increased and drove economic growth, which came to +8.5% vs. 2020 based on the quarterly synthetic indicator measuring regional economies calculated by the Bank of Italy. Growth slowed down in Q3, with the period-over-period performance that proved weaker than the national one (+5.1%). Pending the publication of the final measures of 2021 economic growth, the latest quantitative surveys on the Marche economy show some weakening in the production and sales outlook of businesses for Q4.

16 Prometeia December 2021, Forecast Report and Bank of Italy – December 2021 macroeconomic projections. Prometeia, Scenario Economie Locali (Scenario for Local Economies) October 2021.
The Italian Confederation of Craft Trades and Small- and Medium-Sized Enterprises Lombardy Section - 5° Osservatorio Economia e Territorio November 2021.
Unioncamere Lombardia (Union of Italian Chambers of Commerce - Lombardy section) -L'andamento economico di industria e artigianato in Lombardia 3° trimestre 2021.

17 Confindustria Marche (Marche Region Confindustria ,the main organization representing Italian manufacturing and service companies) Cruscotto congiunturale 4° trimestre 2021 link. Bank of Italy – The March Region economy – November 2021. Prometeia, Scenari Economie Locali (Scenario for Local Economies October 2021)

2021. This evidence does not change the size of the change in the Marche Region GDP for the reporting year and for the current year.

The overall economic performance of the Regions stemmed from very uneven dynamics across the various economic sectors, with some industries posting increases in production and trade activities and other that posted weaker quarterly results, also in accordance with the uneven repercussions generated by the crisis in 2020.

The mechanical industry proved able to contain the fall in 2020, while in 2021 progress was constant, driven by the strong and prevailing component of domestic demand. In H2 large and increasing pressure was experienced on the input of production factors resulting from the spike in commodity prices first and then from the international trade tensions. Worth mentioning is the progress both in the rubber-plastic sector and in the wood-furniture one, albeit the latter slowed down in Q3 after the considerable growth achieved from Q3 2020.

Like the national one, the food sector of the Marche Region was less deeply hit by the crisis peaks and therefore it recovered at a pace deemed physiological.

The footwear industry in the Provinces of Fermo and Macerata and the clothing industry in the Province of Pesaro-Urbino proved the hardest hit by the crisis with the output materially reduced in 2020. Confindustria (the main organization representing Italian manufacturing and service companies) of the Marche Region reported that, out of three quarters of 2021, only Q2 posted a significant period-over-period improvement, whereas Q1 and Q2 remained in deficit.

The tourism sector is an important component of the Region's added value and, again in 2021, the summer tourist season posted a good performance thanks to the Region's marked specialization in domestic tourism.

Sicilia[18]

In Sicily, economic recovery drove the GDP to grow by +5.2% in 2021, a figure below Italy's average growth rate (+6%), after the -8.2% downfall experienced in 2020, again a figure below the overall national decrease (-8.9%). In 2021 economic growth hit +5.2% well exceeding the estimates made at the end of the previous year expecting a +3.4% growth. This performance was driven by the restart in exports, which increased by +14.7%. The oil industry, which accounts for the biggest component of the Region exports, grew by +38% benefiting also from the price factor. The second biggest component in Sicily exports consists in agri-food products, which grew by about 14% exceeding a value of one billion in Q3.

Production activities overall increased in all the main sectors from Spring 2021, driven by the faster pace in vaccination and by the progressive easing of the restrictive measures deployed against the pandemic.

In the first nine months of 2021, the majority of manufacturing and service enterprises achieved higher revenue vs. the same period of the previous year, although for a material portion of them, revenues were still below the 2019 figures.

The operations of construction companies posted strong growth, coming above their pre-pandemic levels both as regards public works and private construction. Renovation works on residential properties benefited from tax incentives and from the increase in sales and purchases. Activities were markedly higher than even their prevailing level before the pandemic.

The increase in tourist flows during the first eight months of the year drove partial recovery from the collapse experienced in 2020, although the number of foreign tourists staying overnight was still quite far from the pre- pandemic figure; it is bot be noted that in 2020 the flow of foreign tourist had decreased almost to zero.

18 Bank of Italy – November 2021.
Prometeia Scenarios Local Economies – October 2021.
Sicilia Region – Regional statistics newsletters n. 1/2021.

In Lombardy the outlook remains good also for 2022, with the GDP expected to grow by +3.8% YoY and with investments expected to increase by nearly +9% YoY, driven by the construction sector, which is expected to growth by nearly 8% in 2022 thanks to the Super Bonus tax incentive to renovation works. Employment is expected to grow consistently with the economic recovery, generating an increase in disposable income and consumption.

In 2022, the GDP of the Marche Region has been growing by +3.3% YoY – as in the other Central Italy Regions – giving evidence of a somewhat slower pace than the Italian average rate of growth, which, in the next three years, is expected to gradually benefit from the investments under Italy's National Recovery and Resilience Plan (Italian acronym PNRR).

The GDP of Sicily is expected to grow also in the coming years: By +4.1% in 2022 and at a slower pace in the following years, but nonetheless at a higher rate than previously, as it will be driven by Italy's National Recovery and Resilience Plan, which allocates more funds to the South of Italy in order to strengthen recovery and to reduce the gaps between Regions. Gross fixed investments are growing at an expected rate of +8.7% as they benefit more than in other Regions from Italy's National Recovery and Resilience Plan. The resources that will be made available by the EU are going to drive the increase in work units also in 2022. Nevertheless, the unemployment rate is not expected to decrease due to the number of people that, in the previous year, became inactive and that will look for a new job as the health situation improves and thanks to the employment opportunities that will be generated by Italy's National Recovery and Resilience Plan.

2022 GDP forecasts

The banking system

In 2021, the Italian banking industry **continued to meet households' and businesses' demand for loans**, despite the very complex situation, keeping easy financing conditions thanks also to the ample liquidity availability of the ECB. Indeed, cost of funding for banks remained low, thanks to the many monetary policy and regulatory interventions deployed at a national and EU level, with repercussions on medium and long-term benchmark rates applied to customers, improving the conditions for access to credit to the benefit of households and businesses.

In terms of profit or loss, the **profitability of the banking industry as a whole considerably increased** vs. the previous year, proving back to its pre-crisis levels. This performance was largely due to the **increase in revenues thanks to the contribution of fee and commission income**, driven by the assets under management component, and by profits from trading activities, which more than offset the decrease in net interest income, and due to the **effectiveness of cost control actions. Investments in technology and cyber security** increased, driven by the momentum in digital transformation and necessary also to address higher Information and Communication Technology (ICT) risks generated by the facts that customers make more and more transactions online, but the increase was offset by the decrease in overhead costs thanks to the ongoing process for network optimization and generational turnover. A positive factor was also the **decrease in the cost of risk**, which went back to its physiological levels after the exceptional ones it reached in 2020. Lastly, banks continue to bear also **banking system expenses** under requests for extraordinary contributions subsequent to some actions for the recovery and resolution of some banks carried out by the Interbank Deposit Protection Fund, on top of the ordinary contributions, which increase across the banking system in accordance with the performance of protected deposits.

The **quality of bank loans has remained under control** thanks also to the extraordinary measures deployed to support lending – moratoria on outstanding loans, state guarantees on new loans and income supporting policies – which contributed to **curbing the rate of loan impairment** providing borrowers in temporary difficulties with the possibility to handle liquidity shortage.

Under said support measures, **demand by businesses for loans backed by state guarantees continued to grow, whereas the loans still under moratoria considerably decreased** (from Euro 132 billion at the end of 2020 to Euro 44 billion at the end of December 2021), despite the option given to enterprises – under Cure Italy Decree and later under the Support-bis Decree – to extend the moratoria until 31 December 2021. Therefore, the term given to enterprises to use the moratoria granted by law expired on 31 December 2021 and, as of 2022, the entire amount debit on the contractual due dates shall be automatically restarted, in accordance with the original amortization schedule.

The Bank of Italy[19] data show that **the granted moratoria** (approx. Euro 270 billion from the pandemic outbreak) **gradually expired** starting from June 2021, under the new provisions laid down in the Support-bis Decree. Thus, the suspension of bank loan repayment was selectively extended and the moratoria had to be recognized as either compliant or non-compliant with the EBA guidelines, based on whether the overall duration of repayment suspension exceeded nine months. The latest data on the quality of loans under already expired moratoria show **a modest number of positions that became non-performing, which is essentially the same in the various countries**, thus suggesting that those measures proved effective in supporting enterprises' liquidity. Despite fears that asset quality may worsen, the data made available by the EBA indeed indicate that 2.8% only of the loans for which moratoria expired became non-performing at the end as at June 2021 (vs. the EU average of 4.7%)[20].

Conversely, the use of state guarantees increased, so much so that, in the period from 17 March 2020 to 31 December 2021, the Italian Ministry of Economic Development and Mediocredito Centrale (MCC) reported that 2,580,848 applications had been received by the Guarantee Fund for guarantees on loans to enterprises, craft businesses and sole traders, for a total amount of **Euro 221 billion**. Specifically, 1,179,625 applications were for loans under the **Liquidity Decree Law having amounts up to Euro 30,000** with an outstanding amount of about Euro 23 billion, and 694,894 applications were for guarantees for moratoria under the "**Cure Italy**" Decree Law with an outstanding amount of approximately **Euro 27 billion**. The overall loans guaranteed under **SACE "Garanzia Italia"** increased to **Euro 32 billion**, for a total of 4,344 transactions.

19 Press releases issued by the task force consisting of the Italian Ministry of the Economy and Finance, the Bank of Italy, the Italian Banking Association, Mediocredito Centrale, the Italian Ministry of Economic Development and SACE (13 January 2022).

20 EBA Risk dashboard, data as at Q2 2021.

The **capitalization** of the Italian banking system **remains strong and resilient** as regards nearly all significant banks, with capital ratios well above the minimum requirements applying as of 1 January 2021 laid down by the Supervisory Authority based on the outcome of the SREP performed in 2020. Consequently, in the light of the improved macroeconomic conditions, with their recommendation issued on 23 July 2021, the Supervisory Authorities decided not to extend the limitations to dividend distribution deployed at the start of the pandemic. Furthermore, all significant banks are compliant with the regulatory requirements concerning the ***leverage ratio*** and the Net Stable Funding Ratio **(NSFR)**, which have become binding since 28 June 2021 with the CRR2 application.

The following economic performances were posted[21]:

In December 2021 **loans to households and businesses** came to Euro 1,331billion, increasing by +2.5% YoY. According to the Bank of Italy's official data, lending to non-financial corporations slowed down (+0.4% YoY) reflecting lower needs for inventory and working capital financing; loans to households increased by +3.8% YoY subsequent to higher demand for home loans (up by +4.8% YoY) and for consumer loans (up by +1.5% YoY), driven by the improved outlook in the property market, higher consumer confidence and low interest rates.

The stock of **net band loans** continued on its decreasing trend and, in November 2021, came to Euro 17.6 billion down by -15.6% vs. December 2020. The weight of net bad loans on total loans came to 1.02%, decreasing from 1.21% in December 2020; Conversely, the coverage ratio slightly increased.

The weight of non-performing loans on the total loans originated by significant banking groups decreased – both as the gross figure and as the figure net of adjustments – thanks to the derisking process pursued in the last few years, opting for **proactive management of NPLs** and continuing with **sales on the market of bad loans and UTPs**, reducing the gap vs. European banks. The rate of loan impairment expressed by the ***default rate*** **remained modest** thanks also to the measures deployed by governments and authorities (moratoria and state guarantees).

Liabilities to the Eurosystem increased subsequent to banks' participation in the third series of targeted longer-term refinancing operations (TLTRO-III) programme – the last of which settled on 22 December 2021 – taking the loans obtained by Italian banks to Euro 452 billion. The first operation will mature in September 2022 and the last one in December 2024.

In December 2021, total **direct funding** (deposits from resident customers and bonds) had increased by +5.4% on a yearly basis. The medium/long-term funding component, consisting of bonds, decreased by approximately Euro 9.6 billion in absolute value (i.e. down by -4.4% YoY), whereas deposits increased by over Euro 114 billion (up by +6.6% YoY). Albeit with the applicable legislation still in its development stage, **the placement of *Green, Social and Sustainability Bonds* increased**, which are intended exclusively to finance or refinance new and/or pre-existing ESG projects.

The breakdown of changes in deposits by depositor shows that, in November 2021, business deposits had increased by +8.7% YoY and households' one by +5.2% YoY. Those increases give evidence of the still high liquidity held by customers (mostly by businesses), which was not immediately reinvested in productive activities or in financial markets. The strong increase in bank deposits occurred in 2020 and in the first months of 2021, which had mainly precautionary reasons given the uncertainty caused by the health crisis, started to lose momentum in H2 2021 and, while still firmly growing, went up at a slower pace.

In December 2021, **the interest rates applied to loans to Customers** continued to be very low: the average rate on total loans at 2.16%, the interest rate on new home loans at 1.40% vs.1.27% in 2020) – reflecting the changes in the composition of new loans in terms of type of mortgage loan – while the interest rate on loans to businesses was 1.29% vs. 1.33% in 2020).

Interest **rates** on **bank funding** remained essentially stable: in December 2021 the average rate on total bank funding from customers came to 0.45% vs. 0.49% in December 2020.

The **spread** between the average rate on loans to and the average rate on deposits from households and non-financial corporations has remained, in Italy, at very low levels; in December 2021 it came to 171 basis points, decreasing vs. 178 basis points in December 2020, reflecting also the increase in the weight of loans backed by state guarantees.

21 ABI Monthly Outlook (January 2022).

Having regard to the **asset management industry**[22], in December 2021 the system posted net funding up by +92 billion from the year opening, while AuM – thanks to the combined effect of net inflows and the positive market effect – reached their new all-time high of Euro 2,582 billion. The portion managed under collective investment schemes (open- and closed-end funds) amounted to Euro 1,340 billion, i.e. 52% of total assets). Investments in portfolio management came to Euro 1,242 billion and accounted for the remaining 48% of total AuM.

REGULATORY AND SUPERVISORY MEASURES DEPLOYED BY INSTITUTIONS IN THE COVID-19 PANDEMIC SCENARIO

- The **monetary policy measures** deployed by the Supervisory Authorities aim at preserving favourable financing conditions, thus supporting credit flow to all economic sectors and ensuring price stability in the medium term. In this regard, the ECB:
- **Extended its TLTRO-III programme**, adding another three operations to those initially planned, to be allotted in June, September and December 2021 (each with a maturity of three years). The borrowing allowance was raised from 50% to 55% of eligible loans at the end of February 2019 and the bid limit for each operation was removed. The interest rate for each operation is the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO III operation, except for the periods between 24 June 2020 and 23 June 2021 and between 24 June 2021 and 23 June 2022, during which the applied interest rate will be 50 basis points lower (extension by an additional 12 months of the period in which favourable interest rates apply to banks). For reducing interest rates, three different criteria shall be used to assess the counterparty's lending performance and said criteria refer to as many observation periods: (a) Special reference period from 1 March 2020 to 31 March 2021; (b) second reference period from 1 April 2019 to 31 March 2021; (c) additional special reference period from 1 October 2020 to 31 December 2021. The interest rate conditions applying to the first seven operations are determined based on the aforementioned three criteria, those applying to the following operations are determined based only on the additional special reference period;
- **Resolved to increase the envelope for the Pandemic Emergency Purchase Programme (PEPP)** by Euro 500 billion taking it to a total of Euro 1,850 billion and the programme will run until the end of March 2022. Furthermore, the Governing Council decided to extend the period during which maturing principal payments from securities purchased under the PEPP will be reinvested until at least the end of 2023. Therefore, the Governing Council intends conduct net asset purchases until at least the end of March 2022 and, in any case, until the Governing Council judges that the crisis is over;
- **Confirmed its measures to support liquidity**, the pandemic emergency longer-term refinancing operations (PELTRO). The PELTROs are conducted as fixed rate tender procedures with full allotment, applying an interest rate that is 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO. The first seven PELTROs were allotted on a monthly basis between May and December 2020, with maturities between July and September 2021. In order to continue to effectively support liquidity on 10 December 2020 the Governing Council decided to offer four additional PELTROs in 2021, to be allotted on a quarterly basis and each with a tenor of approximately one year;
- **Extended leverage ratio relief for banks until March 2022**, allowing banks to exclude some central bank exposures from their leverage ratio, in order to support the ECB monetary policy transmission. The decision extended the leverage ratio relief, which was granted in September 2020 and was originally going to end on 27 June 2021, as the Governing Council deemed that exceptional circumstances justifying said temporary exclusion continued to exist.

The Italian Government continued with its actions aimed at supporting the economy, as the pandemic situation persisted and therefore required restrictions to movement of people.

In March 2021 the Italian Council of Ministers approved the so-called "Support Decree" implementing "Urgent measures to support businesses and economic players, employment, health and local services, associated with the Covid-19 emergency", which provided for:

- The allocation of resources intended to support business, third sector players, workers and households with **relief schemes and grants**;
- The extension of the **freeze on dismissals to 30 June 2021** along with the **extension of the wage guarantee fund use**.

22 Source: Assogestioni, Monthly Map of Assets Under. Management (December 2021).

At the end of May 2021, the Italian Government approved the so-called “Supports-bis” Decree Law (Decree Law 73/2021), which provided for the extension of some measure supporting access to credit and liquidity, as well as incentives for business combinations and for the sale of non-performing loans:

- **Moratoria for SMEs were extended to 31 December 2021**, with prior notice to the banks of the intention to extend the moratorium on loans by 15 June, as long as the moratorium applies to the principal only. Therefore, effective as of 1 July, enterprises had to resume payment of interests on loans under moratoria;
- **Public guarantees on loans given by the Central Guarantee Fund (Fondo Centrale di Garanzia - FCG) and SACE** on new loans or renegotiated outstanding loans **were extended to 31 December 2021**, although some changes were made to the Central Guarantee Fund coverage, which will enter into force on 1 July 2021 (the public guarantee percentage decreased from 90% to 80% and from 100% to 90% for loans up to Euro 30,000). Lastly, for guarantees given by both the Central Guarantee Fund and SACE, the loan tenor may be extended to 10 years, subject to the authorization to be given by the European Commission, which however seems inclined to grant an extension of the tenor of guaranteed loans to 8 years;
- **A provision contained in the “Cure Italy” Decree Law was extended to 31 December 2021**, whereby deferred tax assets referring to tax losses (also not recognized) may be converted into tax credits up to a maximum amount of Euro 2 billion.

Having regard to regulatory measures, in the reporting year some measures laid down in legislative instruments and regulations introduced in previous years started to be implemented. Specifically:

- The **EBA new definition of default**, which all banks are required to apply effective as of 1 January 2021, as detailed in the 2016 guidelines and in Commission Delegated Regulation (EU)
- No. 371/2018. The new rules apply to the classification as NPLs in terms of timeliness (fine tuning the methods to classify UTP and implementing additional automatisms), objectivity (setting non-discretionary materiality thresholds, both absolute and relative different for retail and corporate banking positions) and prudence (introducing specific rules for positions to be classified back as performing – the so-called probation period). In accordance with the new rules, banks shall also put on record the business and legal relations of their customers in order to identify the cases in which the default of a party may have repercussions on a debtor connected to said party (the so-called contagion effect);
- **The EBA guidelines on loan origination and monitoring**, whose final version was published in May 2020, which fall into the EU priority legislation on credit risk aimed at strengthening sound lending practices. The pursued objective is to improve credit quality and to contain the building up of new non-performing exposures in the European market, in accordance with the Action plan to tackle non-performing loans in Europe adopted by the European Council in July 2017. The guidelines, effective as of 30 June 2021, introduce best practices for the management and monitoring of credit risk through the use of sound and prudent standards.
- The Implementing Technical Standards (ITS), published by the EBA on 24 June 2021, which implement the prudential provisions laid down in Regulations (EU) 876/2019 (CRR 2) and 630/2019 (Prudential Backstop). The “**prudential backstop**” introduces a new framework on minimum coverage of NPLs, which provides for deductions from the bank’s Common Equity Tier 1 (CET1) of applicable amounts if minimum coverage has not been reached (the so-called minimum loss coverage) with provisions or other adjustments. The required coverage varies in accordance with the exposure vintage (time during which it remains non-performing), with whether the loans are secured or unsecured and with the type of guarantees backing the loan. Said regulatory framework, which is part of pillar 1, does not provide for any flexibility and shall apply only to non- performing exposures generated by loans originated on or after 26 April 2019. Banks have stated the amounts to be deducted under the prudential backstop in their supervisory reporting since 30 June 2021.
- The new **update on legislative and non-legislative moratoria deployed to address the crisis caused by the Covid-19 pandemic**, published on 2 December 2020 by the EBA, introducing some developments, of which the following are mentioned: (a) the term within which the bank must decide whether to grant the moratorium was extended to 31 March 2021; (b) any Covid-related repayment suspensions granted between 1 October 2020 and 31 March 2021 and for which the sum of suspension months granted in order to address the Covid-19 emergency is equal to or less than 9 months may be excluded from the perimeter of potential forborne exposures. The aforementioned limit does not apply to changes to the loan repayment schedule agreed on loan contracts before 1 October 2020 (for which no modifications are necessary). Other than in these cases, banks shall assess the single positions in order to identify any possible “financial difficulty” situations with consequent classification of loans as forborne exposures (irrespective of their being performing or non-performing).
- **Some measures laid down by Regulation (EU) 2019/876 (CRR2) of 27 June 2021**, of which the following are worth specific mentioning: 1) the application of a leverage ratio minimum requirement of 3% of the Tier 1 capital, and 2) the introduction of the NSFR (i,e, the structural liquidity metric over a 12-month time horizon) which must be above 100% and reported on a quarterly basis.

ENVIRONMENTAL, SOCIAL AND (CORPORATE) GOVERNANCE (ESG)

The applicable legislation on **Environmental, Social and Governance (ESG)** rules and criteria was developed at a materially faster pace in 2020-2021 by both the European Commission and the Supervisory Authorities. The main steps along this path have been the presentation of the **European Green Deal** in December 2019 – pursuing the objective of making Europe the first continent having zero climate impact by 2050 – and the go- live of the **Next Generation EU** programme in May 2020, designed to address the pandemic crisis. The sustainable finance plan is part of a series of strategic initiatives deployed by the Commission, which, until 2024, will introduce important changes to the legislation applying to the financial system. In 2020 the ECB published its guide on climate-related and environmental risks for significant banks and, in 2019, the EBA designed its work road-map on this matter (Action Plan on sustainable finance) and is currently publishing a series of proposals. The point of arrival is 2025, when the 'EBA should publish a report on the prudential treatment of assets based on ESG factors, with the possible introduction of a "green supporting factor" to boost green investments.

In this scenario, leading banks have already started the necessary processes and integrated sustainability goals in their strategies, which often provide for the achievement of ESG targets, such as: origination of green loans intended to improve energy efficiency or to invest in green technologies, the issue of green and social bonds or the commercialization of sustainable investment or insurance products. Banks are being encouraged to integrate ESG factors in all their business areas also by rating agencies, which are starting to integrate ESG elements more and more into their rating methods.

As regards **ESG regulation**, one of the main pillars is **disclosure**. This is the first important step, as it enables stakeholders to assess the environmental risks affecting firms and their sustainable finance strategy. Specifically, transparency of information on ESG topics is based on four items:

- The **EU Taxonomy** is a tool designed to help investors in identifying economic activities that are environmentally sustainable. The regulation on the taxonomy requires any firm subject to the NFRD to disclose information on how and to what extent the firm's activities are associated with economic activities that qualify as environmentally sustainable;
- The **Non Financial Reporting Directive (NFRD)** is an EU Directive of 2014 which, since 2018, has made it mandatory for public interest companies (i.e. companies with over 500 employees) to disclose information on how they operate and on how they address social and environmental challenges. On 21 April 2021 the Direction revision was completed and the Commission adopted the proposal on the **New Corporate Sustainability Reporting Directive (CSRD)**, which will require all large enterprises to report data on sustainability in accordance with common standards: the objective is to make information disclosure consistent and comparable, while applying proportionality criteria for information to be disclosed by SMEs;
- The **Sustainable Finance Disclosure Regulation (SFDR)**, which entered into force on 10 March 2021, pursues the objective of making investment products more transparent thanks to a specific approach for the classification of ESG funds, laying down transparency requirements for products and firms. Therefore, asset managers shall disclose information on the proportion of investments that are compliant with the taxonomy, for each financial product or investment fund;
- Lastly, the EBA expects tha**t, starting from next year, within Pillar 3 large listed banks disclose information on ESG risks and on the related risk mitigation actions**. In its report published on 23 June 2021, the EBA assesses the inclusion of environmental, social and governance risks in Pillar 2 of the banking prudential framework. Therefore, ESG factors will have an impact on all the functions in the banking business (risk management, lending policies, planning, remuneration policies, etc.).

This regulatory action includes **stress testing on climate-related risks**. The first top down stress test exercise conducted by the ECB involved about 1,600 banks, which hold 80% of the bank loans in the Euro Area, the results of which were published in September 2021; in 2022 the ECB will conduct a bottom-up climate risk stress test exercise. Climate-related risk is more general for the ECB, also in view of the revision of its monetary policy strategy; the ECB has recently announced the setting up of the Climate Change Centre, which should coordinate the work on climate change.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

ALL-CASH VOLUNTARY PUBLIC TENDER OFFER MADE BY CRÉDIT AGRICOLE ITALIA FOR ALL SHARES IN CREDITO VALTELLINESE

On 23 April 2021, the all-cash voluntary public tender offer made by Crédit Agricole Italia for all the shares in Credito Valtellinese S.p.A. (Creval) was successfully completed, whereby Crédit Agricole Italia became the holder of 91.17% of Creval share capital.

Moreover, after the completion of the sell-out and squeeze-out procedures, Crédit Agricole Italia now holds 100% of Creval share capital, for a total consideration of Euro 862 million. The consideration per share paid by Crédit Agricole Italia was Euro 12.27 (ex-dividend, i.e. not including the 2021 Dividend). In addition, a dividend of Euro 0.23 per share was paid on 28 April 2021 by Creval, resulting in a total consideration per share of Euro 12.50.

The tender offer is a step forward in the strategic partnership between Crédit Agricole and Creval, supported by strong industrial and cultural affinity, and in line with Crédit Agricole Italia's strategy of sustainable growth, which can rely also on the successful integration of other banks, as proved with the previous acquisitions. Crédit Agricole and Creval had strong cooperation in place also before the acquisition: Crédit Agricole Vita, the Group's Italian subsidiary operating in the life-insurance business, was the exclusive partner of Credito Valtellinese, while its Parent Company, Crédit Agricole Assurance, was one of Creval's main shareholders, with an equity investment of 9.8%.

This combination is based on a sound business plan, whereby Crédit Agricole Italia has further strengthening its competitive position as the sixth commercial banking player in the Italian market by indirect funding and has become the seventh bank by total assets and number of Customers, achieving a market share of ~5% at a national level (by number of branches), drawing on a shared culture of continuous support to the local communities.

For Crédit Agricole Italia, the acquisition of Creval is an ideal opportunity for growth in terms of geographical coverage:

- Increased critical mass in areas that are complementary and adjacent to the ones already served, strengthening local coverage of Customers;
- Considerable strengthening in Northern Italy (~70% of the proforma number of branches);
- Two-fold increase in the market share in Lombardy (from 3% to over 6%), where Credito Valtellinese operates with more than 40% of its branches, thus becoming the seventh bank in the Region, a considerable improvement in the largest and wealthiest Region in Italy and, especially, in Milan;
- Size increase in the Piedmont, Marche and Lazio Regions, as well as access to new Regions, including the most dynamic metropolitan areas in Sicily, Valle d'Aosta and Trentino.

Within the wider process for the integration into Crédit Agricole Italia of Creval and Crédit Agricole FriulAdria networks, some actions for the rationalization of the resulting network in geographical terms, in accordance with the following guidelines:

- Resolution of cases of overlapping branches generated by the integration of Creval Network, maintaining the same coverage of the communities Creval has long been operating in;
- Evolution in the geographical coverage model towards a Network consisting of fewer but larger-sized and more specialized branches, focusing on higher added value activities rather than on mere transaction execution, especially in big cities.

Most of the planned actions (88) are going to be implemented within the CAI – Creval integration in April 2022, the remaining 6 concern Creval vs CA FriulAdria overlapping cases and will be implemented in November 2022.

Therefore, the success of this deal has strengthened the Group's competitive position in Italy, with the creation of a stronger Italian Banking Group, which benefits from the financial strength, support, skills and range of products and services of one the largest and most successful European groups, with considerable positive impacts on the economy of the communities concerned and in the interest of all stakeholders. Specifically, the deal is going to generate advantages:

- For Customers, as they now have access to an attractive and complete range of financial solutions, including the full range of Bancassurance products and services of the Crédit Agricole Group, a leading player in Europe;
- For the human resources of Credito Valtellinese, who have become part of a financial group that is a leading player in the industry and a *top employer*;
- For shareholders, thanks to a return on their investment of more than 10% within the third year, based on cost and funding synergies only, continuing to develop the Group's raison d'être with a strong commitment to providing support to the Italian economy and local communities, proving once again close to the regions.

Integration process

The activities in preparation for Creval merger into Crédit Agricole Italia, which will be completed in Q2 2022, are going on as scheduled.

Thanks to the experience gained in the previous integrations, Creval distribution model is being progressively aligned with the Group one, extending the services provided and the full range of products supplied to Customers: the distribution of Amundi products started in August, distribution agreements for consumer credit and leasing products were finalized, the partnership with Crédit Agricole Assurance for distribution of life insurance products was strengthened and over 2,000 employees were trained to speed up and facilitate the Network operations. The activities for stakeholder engagement, including customers and local communities, are going on through a plan for the enhancement of the areas where the Bank operates.

Creval results were driven by the adoption of Crédit Agricole service model, with a strong business performance that kept speeding up in the months after the acquisition: between May and December asset management products for €947 million were placed and new home loans for €443 million were originated.

THE DEAL FINALIZATION

Making reference to the Offer Document, the Offer Prospectus and to all the other documents made available as required by the law, as well as to the single notices given over time regarding the Offer progress and its outcome, here it is only mentioned that the Offer was made by Crédit Agricole Italia on 23 November 2020 as an all-cash Public Tender Offer, with a unit consideration of Euro 10.50 (cum dividend, i.e. including the coupons for any distributed dividend) for each share in Creval.

With notice published on 14 April 2021, Crédit Agricole Italia increased the Offer consideration up to a maximum amount of Euro 12.50 (cum dividend) for each share concerning which the Offer was accepted, of which Euro 12.20 as a fixed consideration and Euro 0.30 (the "Additional Consideration") subject to the conditions that the Offeror would end up holding more than 90% of Credito Valtellinese share capital.

Later, on 20 April 2021, Crédit Agricole Italia decided not to subject payment of the Additional Consideration to the 90% acquisition threshold, but rather to pay a Euro 12.50 consideration (cum dividend) for each concerning which the Offer was accepted (the "Updated Consideration") irrespective of whether the 90% threshold was exceeded or not. Therefore, the acceptance period was automatically extended to 23 April 2021.

Based on the final results – which were announced to the market on 28 April 2021 – during the acceptance period (extended as specified above) the Offer was accepted for 62,232,666 shares, representing approximately 88.714% of Creval share capital with voting rights. Therefore, as the Offeror already held 1,720,791 Creval shares, representing 2.453% of its share capital, Crédit Agricole Italia ended up holding a total of 63,953,457 shares in Creval, representing 91.167% of its share capital with voting rights.

Hence, the Minimum Threshold Condition (i.e. the Offeror obtaining shares totalling at least 50% + 1 share in Creval share capital with voting rights) was met, as were the other Offer Effectiveness Conditions. Therefore, the Offer was effective and could be finalized.

Given that Crédit Agricole Italia had already stated in the Offer Document that it would not take any actions to restore sufficient floating capital to ensure regular trading of Creval shares, and given that, at the end of the Acceptance Period, Crédit Agricole Italia obtained a shareholding above 90% but below 95%, the requirements for the sell-out procedure (i.e. obligation to purchase) were met under Article 108, paragraph 2, of the Italian Consolidated Law on Finance, concerning a maximum of 6,196,237 remaining shares (the "Remaining Shares") representing 8.833% of Creval share capital.

The sell-out procedure, which was carried out from 3 May to 21 May 2021, collected requests for sale concerning a total of 1,835,136 remaining shares, representing 2.616% of Creval share capital and 29.617% of the remaining shares, in addition to another 2,398,846 shares that were purchased outside the sell-out procedure. Based on the outcome of the sell-out procedure, which were announced on 26 May 2021, Crédit Agricole Italia ended up obtaining a total of 68,187,439 shares in Creval, representing 97.203% of its share capital.

After the sell-out procedure, as it ended up obtaining over 95% of Creval share capital, Crédit Agricole Italia exercised its right to purchase under Article 111, paragraph 3, of the Italian Consolidated Law on Finance, through a specific joint procedure (the squeeze-out procedure), which, as agreed with CONSOB and Borsa Italiana, was held on 4 June 2021.

The Joint Procedure concerned 1,962,255 Creval shares still outstanding, which represented 2.797% of its share capital. The consideration provided for in the Joint Procedure was the same as paid for the shares purchased in the procedure under Article 108, paragraph 2 of the Italian Consolidated Law on Finance, i.e. Euro 12.50 (cum dividend) for each one of the remaining shares. Therefore, after completing the Joint Procedure, Crédit Agricole Italia became the owner of 100% of Creval share capital.

It is also pointed out that Borsa Italiana, with resolution no. 8770 adopted on 27 May 2021, ordered Creval shares (ISIN: IT0005412025) to be removed from trading on the Mercato Telematico Azionario (i.e. their delisting) effective as of 4 June 2021 (the Joint Procedure execution date), after suspending them from trading on 2 and 3 June 2021. On 18 June 2021, the General Meeting of Creval Shareholders was held and appointed the new Board of Directors; the new Board held a meeting immediately after the General Meeting and appointed Filippo Zabban as its Chairman, Giampiero Maioli as its Deputy Chairman, Roberto Ghisellini as Creval General Manager and Giliane Coeurderoy as Creval Deputy General Manager.

THE NEXT GENERATION PLAN

Within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.

With the exit of the resources who are the oldest in age and have been on staff the longest and the concomitant entry of young resources having the knowledge and skills to “keep up with the times”, the Group will the able to continue to effectively compete in its industry, which is undergoing deep transformation, not only in technology terms.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions. For the 800 places available, 840 people applied for voluntary redundancy. Therefore, in order to be able to accept all the applications, another agreement supplementing the previous one was signed.

In order for the turnover to be appropriately gradual, four timeslots in 2022 and 2023 have been set for the resources who have taken the voluntary redundancy scheme to leave.

During this period, structured retraining and professional conversion programmes will be provided aimed at facilitating the management requirements for any coverage of vacancies, also from a professional development standpoint.

STELVIO PROJECT

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Group successfully completed disposals of non-performing loans for an aggregate gross book value of over Euro 1.6 billion, combining the securitization transaction called “Stelvio Project” and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross book value of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia, 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

In December 2021 the sale agreement was signed with the special-purpose entity “Ortles21 S.r.l.”.

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340,000,000 and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB investment grade rating was assigned by Scope Rating, DBRS and Arc Rating and were subscribed by the Parent Company;
- Mezzanine (Class B) notes, amounting to Euro 40,000,000 and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company;
- Junior (Class J) notes, amounting to Euro 14,311,000 and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company.

The Notes are not listed on any regulated market.

On 21 December 2021, 95% of the Mezzanine notes and 95% of the Junior notes was sold to specialist investor SPF Investment Management with concomitant payment of the purchase price and subsequent derecognition of the sold loans.

As regards the Senior notes, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

THE COVID-19 EMERGENCY

Initiatives in terms of organization and safety to protect employees and customers

The Covid-19 emergency had strong impacts also in 2021 on the Group's personnel. Therefore, specific processes and protocols were constantly updated, in order to ensure continuation of operations and to provide constant support to people.

AS IN 2020, the special task force continued its activities concerning the definition of guidelines to manage the health emergency, deploying specific communication initiatives addressed to the personnel and regarding the behaviours, rules and tools to be adopted.

The process for daily tracking, monitoring and reporting Covid cases and quarantines was kept operational, also in order to ensure fast communication with the local NHS agencies. From the pandemic outbreak to 31 December 2021 among Creval's personnel there was a total of 1,231 Covid cases (808 in 2021 and 256 still underway as at 31 December) and 2,391 quarantines (1,010 in 2021 and 173 still underway as at 31 December).

All the Group's premises where the personnel members positive for Covid or quarantined had been or where customers positive for Covid had been were sanitized, in order to ensure people's safety and a fully healthy workplace. From the pandemic outbreak to the reporting date, over 1,400 sanitization interventions were performed on the Group's premises (860 in 2021).

As the health emergency went on, all training continued to be made available also in an Easy Learning mode and, in order to facilitate working from home, the Smart Working scheme remained available to all resources on staff at Central Departments and to the Network salesforce. At the end of 2021, 2,312 Ordinary Smart Working contracts and 5,120 Emergency Smart Working contracts were in force.

Covid antibody and antigen testing campaigns were carried out, with the tests provided free of charge to all employees of complex sites. For all the other personnel members, the agreements with UniSalute were renewed and rapid antigen tests taken when returning from summer vacations or requested on a precautionary basis by the Group's occupational physician were refunded. As at the year end, a total of over 3,500 antibody tests and over 3,500 antibody tests and over 3,900 antigen tests had been administered.

The Group's personnel members were given the opportunity to have their vaccination in June and July through the Partner Company METE srl, joining the vaccination campaign organized by the Parma Employers' Association, in order to protect the safety of all employees and to contribute to fast implementation of the Italian National Vaccination Plan.

Following the entry into force of Italian Decree 127/2021 on 15 October 2021, the Group implemented the daily check of "Green Passes" for access to all its premises and for all its employees, complying with the obligation laid down by the Italian State. At the same time, a tracking process was implemented to monitor and report the employees that did not have a Green Pass and, therefore, were not allowed to access the Group's premises.

A return-to-workplace process for "vulnerable" employees was structured with the relevant Occupational Physician, in order to ensure that all employees in said category could return to the workplace in full safety and on a voluntary basis. In 2021 a total of 85 employees returned to the workplace.

The percentage of employees physically present at the Group's complex sites was continually monitored. The allowed percentages of physically present employees were defined in accordance with the "colours" assigned to the Regions at the relevant time by the competent authorities ensuring the utmost protection of all employees. The highest percentage of physically present employees was 50%, in "white zones".

Consistently with the development in "risk colour codes" assigned to the various Regions, each time specific measures were implemented regulating movements, business travels and access to the points of sale.

In 2021 the branches remained open to the public, always ensuring the safety of employees and customers by applying the rules previously set (e.g. access procedures, mandatory use of personal protection equipment, maximum number of people inside the premises, movement restrictions, etc.).

Also in 2021 interaction with the Trade Unions and with the Workers' Representatives for Safety was constant at the meetings the organizational, management and prevention measures deployed at the relevant time to handle the health emergency were described, thus ensuring full agreement on the many matters linked with Covid-19.

Initiatives to provide support to the community

Consistently with its raison d'être "Working every day in the interest of our customers and society" and with the Group's Environmental, Social and Governance (ESG) objectives, in 2021 Crédit Agricole Italia continued with its tangible commitment to sustainability and social matters through several initiatives combining all the aspects of the Bank's activities.

On CrowdForLife, the Group's crowdfunding portal, Crédit Agricole For Future went live, the first social responsibility call of the Crédit Agricole Group in Italy intended to support projects pursuing goals in shared scopes: education, inclusion and reduction of inequalities. Thanks to the call, eleven local organizations had the opportunity to use the portal www.ca-crowdforlife.it in order to raise the necessary funds for the implementation of their respective projects. The Crédit Agricole Group in Italy pledged to support the individual projects that were selected within Crédit Agricole For Future, doubling the amount raised through donations on CrowdForLife up to 50% of the target of each fundraising campaign. Eleven local organizations were able to finance their projects by raising funds on CrowdForLife in favour of quality education, a matter that, in such a complex year as 2021, proved wide-ranging and topical.

Again addressing new needs that emerged during the pandemic, the Group also held another New Life initiative, the Group's Circular Economy project. In 2021 New Life focused on the use of circular economy as a tool to meet the new social needs generated by the Covid-19 emergency, starting from the mapping of 4 communities, namely Milan, Bologna, Vicenza and Campi Bisenzio, and developing volunteer work and urban regeneration activities, along with fundraising campaigns on CrowdForLife.

PERFORMANCE OF OPERATIONS

The performance of consolidated balance sheet and income statement aggregates is represented below using synthetic layouts reclassified in accordance with reporting approaches that were deemed more effective to represent performance of operations. The aggregations and reclassifications made vs. the items of the Layouts laid down in Bank of Italy Circular no. 262/05 as updated are set out in the reconciliation tables.

The reclassified layouts were restated vs. the previous FY consistently with the representation approaches adopted by the Crédit Agricole Italia Group.

Following the finalization of its acquisition by Crédit Agricole Italia, Creval no longer qualifies as Parent Company in accordance with the Supervisory Regulations. On 30 April 2021 the Credito Valtellinese Banking Group was struck off the Italian Register of Banking Group and Creval became subject to the management and coordination activities exercised by Crédit Agricole Italia and became part, along with its subsidiaries, of the Crédit Agricole Italia Banking Group.

After the acquisition, the accounting policies were harmonized with those of the Parent Company and non- recurring effects were recognized which resulted from the integration into the new Group consistently with the Parent Company's strategies. The performances for the period were deeply affected by said non-recurring factors, the main ones of which are described in the Notes to the financial statements. Net of these effects, Credito Valtellinese reports a profit from operations of Euro 70 million.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

In order to provide a more direct representation of the Company's equity and financial position, a summary balance sheet was prepared by suitably grouping balance-sheet items. These grouping concerned:

- Presentation of Financial Assets/Liabilities at fair value on a net basis;
- Presentation of Due from/Due to banks on a net basis;
- Inclusion of the value of Hedging Derivatives under the Other Assets Items/Other Liabilities items;
- Grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- Inclusion of the item Cash and cash equivalents in the Other Assets residual item;
- Grouping in the "Funding from customers" item of the "Due to customers" and "Debt securities issued" items;
- Grouping of specific-purpose provisions (i.e. employee severance benefits and provisions for risks and charges) into a single aggregate.
- Immunization of Loans to Customers and Due to Customers against the IFRS 16 components.

The figures reported in the next pages are expressed in thousands of Euros.

Reclassified Consolidated Balance Sheet

Assets	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net financial Assets/Liabilities measured at fair value	118,982	188,583	-69,601	-36.9
Financial assets measured at fair value through other comprehensive income	650,303	855,467	-205,164	-24.0
Loans to Customers	17,358,904	19,636,067	-2,277,163	-11.6
Equity investments	24,600	20,573	4,027	19.6
Property, plant and equipment and intangible assets	390,720	541,772	-151,052	-27.9
Tax assets	1,087,166	764,479	322,687	42.2
Other assets	836,332	344,594	491,738	N.s.
Total net assets	**20,467,007**	**22,351,535**	**-1,884,528**	**-8.4**

Liabilities	31.12.2021	31.12.2020	Changes	
			Absolute	%
Net due to banks	57,954	2,009,936	-1,951,982	-97.1
Direct Funding from Customers	17,995,433	17,733,069	262,364	1.5
Tax liabilities	6,693	1,553	5,140	N.s.
Other liabilities	641,309	686,413	-45,104	-6.6
Specific-purpose provisions	252,638	146,129	106,509	72.9
Capital	1,643,508	1,643,508	-	-
Reserves (net of treasury shares)	107,757	10,454	97,303	N.s.
Valuation reserves	-3,652	7,256	-10,908	N.s.
Equity attributable to minority interests	12	21	-9	-42.9
Profit (Loss) for the period	-234,645	113,196	-347,841	N.s.
Total equity and net liabilities	**20,467,007**	**22,351,535**	**-1,884,528**	**-8.4**

Reconciliation of the official and reclassified balance sheets

Assets	31 Dec. 2021	31 Dec. 2020
Net financial assets/liabilities at fair value	**118,982**	**188,583**
20 a. Financial assets held for trading	423	676
20 c. Financial assets mandatorily measured at fair value	118,938	187,987
20. Financial liabilities held for trading	-379	-80
Financial assets measured at fair value through other comprehensive income	**650,303**	**855,467**
30. Financial assets measured at fair value through other comprehensive income	650,303	855,467
Loans to Customers	**17,358,904**	**19,636,067**
40 b. Loans to and receivables from Customers	17,366,484	19,648,291
To deduct: Sublease loans	-7,580	-12,224
Equity investments	**24,600**	**20,573**
70. Equity investments	24,600	20,573
Property, plant and equipment and intangible assets	**390,720**	**541,772**
90. Property, Plant and Equipment	388,963	523,472
100. Intangible assets	1,757	18,300
Tax assets	**1,087,166**	**764,479**
110. Tax assets	1,087,166	764,479
Other assets	**836,332**	**344,594**
10. Cash and cash equivalents	217,170	198,002
130. Other assets	142,446	122,638
120. Non-current assets held for sale and discontinued operations	469,136	11,730
40 b. Loans to Customers: o/w sublease loans	7,580	12,224
Total net assets	**20,467,007**	**22,351,535**

Liabilities	31 Dec. 2021	31 Dec. 2020
Net due to banks	**57,954**	**2,009,936**
40 a. Due from banks	-4,916,412	-1,530,057
10 a. Due to banks	4,974,366	3,539,993
Funding from Customers	**17,995,433**	**17,733,069**
10 b Due to Customers	17,457,644	16,913,160
To deduct: Lease liabilities	-121,620	-142,700
10 c. Debt securities issued	659,409	962,609
Tax liabilities	**6,693**	**1,553**
60. Tax liabilities	6,693	1,553
Other liabilities	**641,309**	**686,413**
10 b. Due to customers: of which lease liabilities	121,620	142,700
40. Hedging derivatives (Liabilities)	126,409	159,057
70. Liabilities associated with non-current assets held for sale and discontinued operations	23,146	-
80. Other liabilities	370,134	384,656
Specific-purpose provisions	**252,638**	**146,129**
90. Employee severance benefits	37,099	38,452
100. Provisions for risks and charges	215,539	107,677
Capital	**1,643,508**	**1,643,508**
170. Capital	1,643,508	1,643,508
Reserves (net of treasury shares)	**107,757**	**10,454**
150. Reserves	107,757	10,554
180. Treasury shares (+/-)	-	-100
Valuation reserves	**-3,652**	**7,256**
120. Valuation reserves	-3,652	7,256
Equity attributable to minority interests	**12**	**21**
190. Minority interests	12	21
Profit (Loss) for the period	**-234,645**	**113,196**
200. Profit (Loss) for the period	-234,645	113,196
Total equity and net liabilities	**20,467,007**	**22,351,535**

Loans to Customers

Net loans to customers, excluding debt securities (Euro 4.2 billion), came to Euro 13.1 billion vs. Euro 15 billion as at 31 December 2020. Repurchase agreements, regarding loans with Cassa Compensazione e garanzia (the only authorized central counterparty in Italy), caused loans to decrease by Euro 417 million vs. December 2020. Current accounts also decreased (-47.0%) as did mortgage loans (-6.7%). The decrease mainly concerned the corporate banking segment, especially some big tickets. If loans consisting of debt securities (mostly Government securities) are included in the aggregate, total net loans came to Euro 17.4 billion vs. Euro 19.6 billion at the end of 2020.
Consistently with the business model structured based on business lines and with the industrial logics of the Group led by Crédit Agricole S.A., in 2022 Creval service model is going to be reorganized and rationalised transferring the factoring activities, carried out by Creval Più Factor, to the Group's entity operating in the specific line of business. Loans within leasing and factoring transactions have been reclassified under Discontinuing operations.

If loans consisting of debt securities (mostly Government securities) are included in the aggregate, total net loans came to Euro 17.4 billion vs. Euro 19.6 billion at the end of 2020.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Current accounts	847,467	1,599,612	-752,145	-47.0
- Mortgage loans	9,857,305	10,564,394	-707,089	-6.7
- Advances and credit facilities	1,872,759	1,899,495	-26,736	-1.4
- Repurchase agreements	-	417,010	-417,010	N.s.
- Non-performing loans	562,317	493,994	68,323	13.8
Loans to Customers	**13,139,848**	**14,974,505**	**-1,834,657**	**-12.2**
Securities measured at amortized cost	4,219,056	4,661,562	-442,506	-9.5
Total Loans to Customers	**17,358,904**	**19,636,067**	**-2,277,163**	**-11.6**

Credit quality

Net non-performing loans, excluding loans classified under discontinuing operations, came to Euro 562.3 million, increasing by 13.8% vs. 31 December 2020. Gross non-performing loans came to about Euro 1,169.4 million vs. Euro 955.9 million as at the end of 2020 (up by +22.3% YoY) with the increase resulting also from the adoption of new loan classification policies consistent with the Parent Company's approach.

Since 1 January 2021, the new definition of default has been adopted in the Bank's lending and reporting processes, in accordance with Delegated Regulation (EU) no. 529/2014 and Delegated Regulation (EU) no. 294/2015, as well as in accordance with Part 2, chapter 4, Section II of Bank of Italy Circular 285 of 17 December 2013.

Specifically, net bad loans came to Euro 25.2 million vs. Euro 113.3 as at the end of 2020, decreasing thanks also to the disposal of the Stelvio Portfolio; net Unlikely to Pay came to Euro 525.8 million vs. Euro 360 million as at the end of 2020, increasing also because of the new Group policy; net past due positions came to Euro 11.3 million vs. Euro 20.7 million as at the end of 2020.

Items	31 Dec. 2021			31 Dec. 2020		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	142,516	-117,311	25,205	304,988	-191,684	113,304
- Unlikely to Pay	1,013,585	-487,821	525,764	627,920	-267,962	359,958
- Non-performing/past due exposures	13,283	-1,935	11,348	23,018	-2,286	20,732
Non-performing loans	**1,169,384**	**-607,067**	**562,317**	**955,926**	**-461,932**	**493,994**
- Performing loans - stage 2	864,224	-38,088	826,136	1,114,526	-45,208	1,069,318
- Performing loans - stage 1	12,529,591	-42,379	12,487,212	14,313,194	-23,059	14,290,135
Performing loans and non-government securities	**13,393,815**	**-80,467**	**13,313,348**	**15,427,720**	**-68,267**	**15,359,453**
Loans to Customers	**14,563,199**	**-687,534**	**13,875,665**	**16,383,646**	**-530,199**	**15,853,447**
Government securities at amortized cost	3,487,455	-4,216	3,483,239	3,783,042	-422	3,782,620
Total	**18,050,654**	**-691,750**	**17,358,904**	**20,166,688**	**-530,621**	**19,636,067**

Furthermore, the adoption of the new policy generated an increase in the coverage ratios of the non-performing and performing loans portfolios.

Specifically, the coverage ratio of bad loans hit 82.3%, the coverage ratio of Unlikely to Pay hit 48.1% and the coverage ratio of past due positions hit 14.6%. Therefore, the coverage ratio of non-performing loans hit 51.9% increasing vs. 48.3% as at 31 December 2020, due to the change in the bases of measurement to align them with the ones used by the Parent Company and to the adoption of the new NPE Policy.

The coverage ratio of performing loans to customers (excluding government securities) came to 0.6%.

Items	31 Dec. 2021			31 Dec. 2020		
	Gross/total exposure	Net/total exposure	Cover age ratio	Gross/total exposure	Net/total exposure	Cover age ratio
- Bad loans	0.8%	0.1%	82.3%	1.5%	0.6%	62.8%
- Unlikely to Pay	5.6%	3.0%	48.1%	3.1%	1.8%	42.7%
- Non-performing/past due exposures	0.1%	0.1%	14.6%	0.1%	0.1%	9.9%
Non-performing loans	**6.5%**	**3.2%**	**51.9%**	**4.7%**	**2.5%**	**48.3%**
- Performing loans - stage 2	4.8%	4.8%	4.4%	5.5%	5.4%	4.1%
- Performing loans - stage 1	69.4%	71.9%	0.3%	71.0%	72.8%	0.2%
Performing loans and non-government securities	**74.2%**	**76.7%**	**0.6%**	**76.5%**	**78.2%**	**0.4%**
Loans to Customers	**80.7%**	**79.9%**	**4.7%**	**81.2%**	**80.7%**	**3.2%**
Government securities at amortized cost	19.3%	20.1%	0.1%	18.8%	19.3%	0.0%
Total	**100.0%**	**100.0%**	**3.8%**	**100.0%**	**100.0%**	**2.6%**

Direct Funding from Customers

Direct funding came to Euro 18.0 billion vs. Euro 17.7 billion as at 31 December 2020 (+1.5%).

Deposits decreased (-36%) with that decrease offset by the 11% increase in current accounts. Repurchase agreements, regarding funding with Cassa Compensazione e garanzia (the only authorized central counterparty in Italy),caused funding to further decrease by Euro 319.3 million vs. December 2020.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Deposits	1,004,624	1,569,625	-565,001	-36.0
- Current and other accounts	16,107,141	14,505,261	1,601,880	11.0
- Other items	224,259	376,280	-152,021	-40.4
- Repurchase agreements	-	319,294	-319,294	N.s.
Due to Customers	**17,336,024**	**16,770,460**	**565,564**	**3.4**
Debt securities issued	**659,409**	**962,609**	**-303,200**	**-31.5**
Total direct funding	**17,995,433**	**17,733,069**	**262,364**	**1.5**
Indirect funding	**11,213,208**	**10,440,722**	**772,486**	**7.4**
Total funding	**29,208,641**	**28,173,791**	**1,034,850**	**3.7**

Indirect funding

Indirect funding came to Euro 11.2 billion, increasing by 7.4% vs. 31 December 2020 (i.e. Euro 10.4 billion).

The assets under management component grew from Euro 7.8 billion as at the end of 2020 to Euro 8.6 billion (up by +10.3%), benefiting also from the activities undertaken after joining the new Group. Conversely, assets under administration slightly decreased (down by -1.4%) coming to Euro 2.6 billion as at 31 December 2021.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Asset management products	5,018,153	4,597,137	421,016	9.2
- Insurance products	3,606,978	3,219,142	387,836	12.0
Total assets under management	**8,625,131**	**7,816,279**	**808,852**	**10.3**
Assets under administration	**2,588,077**	**2,624,443**	**-36,366**	**-1.4**
Indirect funding	**11,213,208**	**10,440,722**	**772,486**	**7.4**

Net interbank position

As at 31 December 2021, the Bank's net interbank position showed debt amounting to Euro 58 million and reports Due to Central Banks for TLTRO loans amounting to Euro 5 billion (increasing by Euro 1.5 billion vs.l 31December 2020 following the Bank's participation in a new operation in March 2021).

The Bank continues to enjoy a robust liquidity position, with ECB-eligible free assets amounting to Euro 4.3 billion and the LCR and NSFR well above 200% and 100% respectively.

Financial assets and liabilities measured at *fair value*

Financial assets measured at fair value, net of liabilities and hedging derivatives, came to Euro 643 million, down by 27% vs. 31 December 2020 (Euro 885 million). Specifically, financial assets for Euro 650 million were measured at fair value through other comprehensive income (FVTOCI) and financial assets for Euro 119 million were measured at fair value through profit or loss (FVTPL). In the aggregate, government securities account for Euro 419 million, decreasing by 32.3% vs. the end of 2020. The reserve of Italian Government securities measured at FVTOCI (net of the tax effect) was negative by Euro 1.1 million. Exposure to sovereign credit risk is represented in Part E of the Notes to the Consolidated Financial Statements (Section Other Risks).

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	1,708	2,972	-1,264	-42.5
Equity securities and units of collective investment undertakings	117,235	185,513	-68,278	-36.8
- Derivative financial instruments with positive FV	418	178	240	N.s.
Total assets	**119,361**	**188,663**	**-69,302**	**-36.7**
- Derivative financial instruments with negative FV	-379	-80	299	N.s.
Total liabilities	**-379**	**-80**	**299**	**N.s.**
Net Total	**118,982**	**188,583**	**-69,601**	**-36.9**
Financial assets measured at fair value through other comprehensive income				
- Debt securities	613,016	790,945	-177,929	-22.5
- Equity securities	37,287	64,522	-27,235	-42.2
Total	**650,303**	**855,467**	**-205,164**	**-24.0**
Hedging derivatives	**-126,409**	**-159,057**	**-32,648**	**-20.5**
Financial assets and liabilities measured at fair value	**642,876**	**884,993**	**-242,117**	**-27.4**

As regards fair value measurement, please see Part A of the Notes to the Financial Statements

Government securities held

	31 Dec. 2021		
	Nominal value	Book value	Valuation reserve
Financial assets measured at fair value through profit or loss	**1**	**2**	
Italian Government securities	1	2	X
Financial assets through other comprehensive income	**402.942**	**419.246**	**-1.147**
Italian Government securities	402.942	419.246	-1.147
Financial assets measured at amortized cost	**3.298.500**	**3.483.239**	
Italian Government securities	3.010.500	3.176.152	X
Spanish Government securities:	278.000	296.267	X
Portuguese Government securities	10.000	10.820	X
Total	**3.701.443**	**3.902.487**	**-1.147**

The government securities held consisted mainly of Italian government securities, amounted to Euro 3.9 billion and were mainly recognized as Financial assets measured at amortized cost.

Equity investments

Equity investments amounted to Euro 24.6 million and consisted of equity investments in jointly controlled entities (Rajna Immobiliare S.r.l.) and entities subject to significant influence (mainly Generalfinance S.p.A. and Global Broker S.p.A.) accounted for with equity method. The changes vs. 31 December 2020 resulted mainly from the aforementioned method of accounting.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Joint arrangements	315	363	-48	-13.2
- Investees subject to significant influence	24,285	20,210	4,075	20.2
Total	**24,600**	**20,573**	**4,027**	**19.6**

Property, plant and equipment and intangible assets

Property, plant and equipment came to Euro 389 million vs. Euro 523 million as at the end of December 2020; the decrease resulted mainly from depreciation and from the adoption of the different bases to measurement used by the Parent Company to determine the value of non-operating property, operating property, property inventories and rights of use. The adopted measurement approach was also set based on the new plan for property use.

Owned property, plant and equipment assets are broken down below.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Operating assets				
Land	32,310	43,651	-11,341	-26.0
Buildings	138,291	181,883	-43,592	-24.0
Furniture	26,515	27,359	-844	-3.1
Electronic equipment	1,885	5,128	-3,243	-63.2
Other	1,043	2,110	-1,067	-50.6
Total operating assets	**200,044**	**260,131**	**-60,087**	**-23.1**
Investment property				
Land	8,680	12,401	-3,721	-30.0
Buildings	53,456	79,011	-25,555	-32.3
Total investment property	**62,136**	**91,412**	**-29,276**	**-32.0**
Inventories	**20,696**	**40,600**	**-19,904**	**-49.0**
Grand total – Owned	**282,876**	**392,143**	**-109,267**	**-27.9**

The rights of use acquired through leases in the IFRS 16 scope of application are broken down below.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Operating assets				
Land	-	-	-	-
Buildings	96,258	119,264	-23,006	-19.3
Furniture	-	-	-	-
Electronic equipment	681	4,550	-3,869	-85.0
Other	956	1,644	-688	-41.8
Total operating assets	**97,895**	**125,458**	**-27,563**	**-22.0**
Investment property				
Land	-	-	-	-
Buildings	8,192	5,871	2,321	39.5
Total investment property	**8,192**	**5,871**	**2,321**	**39.5**
Grand total - Rights of use acquired through leases	**106,087**	**131,329**	**-25,242**	**-19.2**

For properties, the corporate procedures provided for regular appraisals made by independent experts.

As at 31 December 2021, intangible assets were recognized for Euro 1.8 million consisting of software developed in-house or purchased in the market vs. Euro 18.3 million as at the end of 2020, with the change resulting from the revision of their useful life subsequent to the merger into the Crédit Agricole Group to be finalized by the end of April 2022.

Specific purpose provisions

As at 31 December 2021, specific-purpose provisions (which include personnel expenses, provisions for legal disputes and compensation risks) came to Euro 252.6 million, increasing vs. Euro 146.1 million as at the end of 2020. The increase resulted from the adoption of different methods to estimate possible expenses for pending litigation or amounts to be refunded within the disposal of non-performing loans made in previous FYs, along with the recognition of contingent expenses for early termination of multi-year agreements for product distribution and service provision. Furthermore, the provision associated with the 2021 Next Generation plan was also recognized, consistently with the agreements signed with the trade unions in October and December.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Employee severance benefits	**37.099**	**38.452**	**-1.353**	**-3,5**
Provisions for risks and charges	**215.539**	**107.677**	**107.862**	**N.s.**
a) commitments and guarantees given	25.009	13.140	11.869	90,3
b) post-employment and similar obligations	1.784	1.840	-56	-3,0
c) other provisions for risks and charges	188.746	92.697	96.049	N.s.
Total specific-purpose provisions	**252.638**	**146.129**	**106.509**	**72,9**

Equity

As at 31 December 2021, consolidated equity amounted to Euro 1,513 million, decreasing by Euro 261 million vs. 31 December 2020. The main changes occurred in the reporting period resulted from the distribution of dividends for Euro 16.1 million, from the Euro 11.2 million decrease in valuation reserves, which was due mainly to the value change in profit (losses) on financial assets through other comprehensive income and to the loss reported in 2021 of Euro 234.6 million.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Share capital	1,643,508	1,643,508	-	-
Reserves	107,757	10,554	97,203	N.s.
Reserve for valuation of financial assets through other comprehensive income	-5,403	5,834	-11,237	N.s.
Valuation reserves for property, plant and equipment and works of art	11,687	11,687	-	-
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-9,936	-10,265	-329	-3.2
Treasury shares	-	-100	-100	N.s.
Profit (Loss) for the period	-234,645	113,196	-347,841	N.s.
Total (book) equity	**1,512,968**	**1,774,414**	**-261,446**	**-14.7**

Statement of reconciliation of Credito Valtellinese equity and profit (loss) and consolidated equity and profit (loss) for the period

	31 Dec. 2021		31 Dec. 2020	
	Equity	of which Profit (Loss) for the period	Equity	of which Profit (Loss) for the period
Balances as per Credito Valtellinese financial statements	**1,494,269**	**-231,185**	**1,752,265**	**109,329**
Profits (losses) of investees as per their separate financial statements				
- consolidated on a line-item basis	-19,642	-19,642	-1,083	-1,083
- accounted for with equity method	4,332	4,332	2,719	2,719
Differences from the carrying amount concerning:				
- companies consolidated on a line-item basis	18,157	-	15,209	-
- Reversal of equity investment impairment	11,921	11,921	3,650	3,650
- companies accounted for with equity method	3,627	-	2,492	-
Adjustment to dividends collected in the FY				
- regarding the previous FY	-	-1,215	-	-1,184
Other consolidation adjustments:				
- derecognition of intra-group profits and losses	635	549	85	-170
- other adjustments	-331	595	-923	-65
Balances as per the consolidated financial statements	**1,512,968**	**-234,645**	**1,774,414**	**113,196**

Own funds and capital ratios

As at 31 December 2021, the Bank's CET1, calculated on an individual basis and Phased-in, stood at Euro 1,261 million with risk-weighted assets (RWA) amounting to Euro 7,186 million. Total own funds stood at Euro 1,415 million.

The capital ratios applying the transitional regime stood at the values given below:
- CET1 ratio at 17.5% (24.5% as at 31 December 2020);
- Tier1 ratio at 17.5% (24.5% as at 31 December 2020);
- Total capital ratio at 19.7% (26.5% as at 31 December 2020).

As at 31 December 2021 the fully loaded CET1 ratio came to 13.5%, decreasing vs. its figure as at the end of 2020 (20%).

The capital ratios report the effects of the changes introduced by CRR2 and the AVA calculation with the advanced approach.

Categories/Values	31 Dec. 2021	31 Dec. 2020
Common Equity Tier 1 (CET1)	1,260,703	1,969,864
Tier 1 Capital (Tier 1)	1,260,703	1,969,864
Total own funds	**1,414,956**	**2,132,309**
Credit and counterparty risks	495,456	561,488
Risk of value adjustments to loans	3,437	848
Settlement risk	-	-
Market risk	2	98
Operational risk	75,983	80,585
Other measurement elements	-	-
Total prudential requirements	**574,878**	**643,019**
Risk-weighted assets	**7,185,973**	**8,037,729**
Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)	**17.5%**	**24.5%**
Tier 1/Risk-weighted assets (Tier 1 capital ratio)	**17.5%**	**24.5%**
Total own funds/risk-weighted assets (Total capital ratio)	**19.7%**	**26.5%**

PROFIT OR LOSS

Income Statement reclassification

In order to represent profit or loss performance more effectively, a summary income statement has been prepared through appropriate reclassifications and in accordance with more suitable bases of presentation to report the various items on the basis of consistent operational standards.

The reclassifications made are given below.

- Net Profit (Loss) on trading activities, Net Profit (Loss) on hedging activities and Net Profit (Loss) on financial assets and liabilities measured at fair value through profit or loss have been reported under Financial Income (Loss);
- "Profit (losses) on disposal or repurchase of securities classified as financial assets measured at amortized cost", "Profit (losses) on disposal or repurchase of: financial assets measured at fair value through other comprehensive income" have been reported under Financial income (loss);
- Expenses recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- "Expenses for the management of non-performing loans and related recoveries" have been reclassified as "Net Adjustments of Loans" rather than being reported under Administrative expenses and Other operating income/expenses items;
- Commission income for fast loan application processing has been taken to "Fee and commission Income" rather than being recognized under "Other operating income/expenses";
- Net provisions for risks and charges regarding commitments and guarantees given have been reclassified
- under "Net adjustments to loans".
- Net value adjustments for credit risk of securities classified as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income have been restated under the "Net adjustments to securities" item.
- Net impairment adjustments of property, plant and equipment and intangible assets have been reported under item Profit (Loss) on other investments, rather than under item Depreciation and Amortization, except for impairment of foreclosed properties, which has been recognized under item Net adjustments of loans;
- Amortization of expenses for leasehold property renovation was recognized under item Other income, rather than under item Depreciation and Amortization;
- The measurement of financial instruments to be mandatorily measured at fair value was taken to the "Net value adjustments of loans" item rather than to the "Gains (losses) on banking activities" item.

Reclassified income statement

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net interest income	331,420	340,185	-8,765	-2.6
Net fee and commission income	242,522	230,858	11,664	5.0
Dividends	1,187	761	426	56.0
Financial income (loss)	(22,143)	20,854	-42,997	N.s.
Other operating income (expenses)	1,946	8,859	-6,913	-78.0
Net operating income	**554,932**	**601,517**	**-46,585**	**-7.7**
Personnel expenses	(288,035)	(245,245)	42,790	17.4
Administrative expenses	(117,993)	(118,865)	-872	-0.7
Depreciation and amortization	(42,088)	(42,343)	-255	-0.6
Operating expenses	**(448,116)**	**(406,453)**	**41,663**	**10.2**
Operating margin	**106,816**	**195,064**	**-88,248**	**-45.2**
Net provisioning for risks and charges	(90,288)	(1,551)	88,737	N.s.
Net adjustments of loans	(497,279)	(123,433)	373,846	N.s.
Net adjustments of securities	(4,018)	1,560	-5,578	N.s.
Profit (loss) on other investments	(97,522)	32,428	-129,950	N.s.
Profit (loss) before tax from continuing operations	**(582,291)**	**104,068**	**-686,359**	**N.s.**
Taxes on income from continuing operations	347,645	9,125	338,520	N.s.
Profit (Loss) for the period	**(234,646)**	**113,193**	**-347,839**	**N.s.**
Loss for the period attributable to minority interests	**1**	**3**	**-2**	**-66.7**
Net profit (loss) for the period attributable to the Parent Company	**(234,645)**	**113,196**	**-347,841**	**N.s.**

Reconciliation between the Official and the Reclassified Income Statements

	31 Dec. 2021	31 Dec. 2020
Net interest income	331,420	340,185
30. Net interest income	331,420	340,185
Net fee and commission income	**242,522**	**230,858**
60. Net fee and commission income	242,282	230,416
200. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	240	442
Dividends and similar income = item 70	**1,187**	**761**
Financial income (loss)	**(22,143)**	**20,854**
80. Net profit (loss) on trading activities	1,437	2,308
90. Net profit (loss) on hedging activities	79	(170)
100. Profit on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	14,700	24,384
100. Profit (loss) on disposal or repurchase of:: b) financial assets measured at fair value through other comprehensive income	(102)	1,247
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(52,156)	(7,894)
To deduct: b) other financial assets mandatorily measured at fair value of which measurement of financial instruments	13,899	979
Other operating income (expenses)	**1,946**	**8,859**
230. Other operating expenses/income	46,647	55,212
Leasehold property renovation amortization	(486)	(398)
To deduct: expenses recovered	(42,326)	(43,183)
To deduct: recovered expenses for the management of non-performing loans	(1,649)	(2,330)
To deduct: Commission income from Fast Loan Application Processing	(240)	(442)
Net operating income	**554,932**	**601,517**
Personnel expenses = item 190 a)	**(288,035)**	**(245,245)**
Administrative expenses	**(117,993)**	**(118,865)**
190. Administrative expenses: b) other administrative expenses	(166,214)	(169,890)
To deduct: expenses for the management of non-performing loans	5,895	7,842
230. Other operating expenses/income: of which expenses recovered	42,326	43,183
Depreciation and amortization	**(42,088)**	**(42,343)**
210. Net impairment losses/recoveries on property, plant and equipment	(116,634)	(35,504)
220. Net adjustments of//recoveries on intangible assets	(19,645)	(8,601)
To deduct: Leasehold property renovation amortization	486	398
To deduct: impairment of property, plant and equipment and intangible assets	93,705	1,364
Operating expenses	**(448,116)**	**(406,453)**
Operating margin	**106,816**	**195,064**
Net provisioning for risks and charges = Item 200 b) other net provisioning	**(90,288)**	**(1,551)**
Net impairment losses on loans	**(497,279)**	**(123,433)**
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	(15,286)	21,383
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	(14,700)	(24,384)
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss:of b) of other financial assets mandatorily measured at fair value: of which measurement of financial instruments	(13,899)	(979)
130. Net adjustments for credit risk of: a) financial assets measured at amortized cost	(436,719)	(112,916)
To deduct: net impairment for credit risk of: a) securities classified as financial assets measured at amortized cost	3,591	(630)
140. Profits/Losses on contract modifications without derecognition	366	(1,258)
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	(5,895)	(7,842)
200. Net provisioning for risks and charges: a) commitments and guarantees given	(11,795)	960
230. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	1,649	2,330
Impairment of foreclosed properties	(4,591)	(97)
Net adjustments of securities	**(4,018)**	**1,560**
130. Net adjustments for credit risk of: a) O/w securities classified as financial assets at amortized cost	(3,591)	630
130. Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	(427)	930
Profit (loss) on other investments	**(97,522)**	**32,428**
250. Profit on equity investments	4,312	2,701
260. Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	(14,690)	(2,896)
280. Profit on disposals of investments	1,970	33,890
Impairment of property, plant and equipment and intangible assets	(89,114)	(1,267)
Profit (loss) before tax from continuing operations	**(582,291)**	**104,068**
Taxes on income from continuing operations = item 300	347,645	9,125
Profit (Loss) for the period	**(234,646)**	**113,193**
Loss for the period attributable to minority interests	1	3
Net profit (loss) for the period attributable to the Parent Company	**(234,645)**	**113,196**

Net Operating Income

In 2021, net operating income came to Euro 554.9 million, vs. Euro 601.5 million in 2020. Excluding the effects of the adoption of new policies on the measurement of securities aligned with those adopted by the Parent Company, specifically to measure units of O.I.C.R. collective investment undertakings, operating income would be approximately stable vs. 2020.

Net interest income

Net interest income for 2021 came to Euro 331.4 million. The performance in the period was affected by the lower contributions from non-performing loans disposed of in 2020 and from finance operations, which were only partially offset by the TLTRO III advantages. Versus the figure for the previous FY (Euro 340.2 million),net interest income decreased by 2.6%.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Loans to customers measured at amortised cost	280,464	297,568	-17,104	-5.7
Loans to banks measured at amortised cost	34,036	19,405	14,631	75.4
Debt securities issued	(24,324)	(26,480)	-2,156	-8.1
Spreads on hedging derivatives	(14,385)	(13,670)	715	5.2
Financial assets held for trading	1	6	-5	-83.3
Assets measured at fair value	139	373	-234	-62.7
Securities measured at amortized cost	54,244	62,298	-8,054	-12.9
Securities through other comprehensive income	5,749	6,330	-581	-9.2
Other net interest income	(4,504)	(5,645)	-1,141	-20.2
Net interest income	**331,420**	**340,185**	**-8,765**	**-2.6**

Net fee and commission income

In 2021, net fee and commission income came to Euro 242.5 million vs. Euro 230.9 million in the previous FY, which was harder hit by the Covid-19 health emergency affecting also transactions made by Customers.

Specifically, fee and commission income from the commercial banking business came to Euro 108.9 million, increasing by 4.1% vs. 2020 (Euro 104.6 million). Fee and commission income from the asset management and administration business came to Euro 88.7 million vs. Euro 72.3 million in the previous FY (+22.8%).

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- guarantees given and received	4,260	4,284	-24	-0.6
- collection and payment services	28,650	27,608	1,042	3.8
- current accounts	53,915	53,674	241	0.4
- debit and credit card services	22,060	18,984	3,076	16.2
Commercial banking business	**108,885**	**104,550**	**4,335**	**4.1**
- securities intermediation and placement	44,182	35,184	8,998	25.6
- intermediation in foreign currencies	2,873	2,895	-22	-0.8
- asset management	7,955	8,110	-155	-1.9
- distribution of insurance products	24,586	20,258	4,328	21.4
- other intermediation/management fee and commission income	9,129	5,805	3,324	57.2
Management, intermediation and advisory services	**88,725**	**72,252**	**16,473**	**22.8**
Other net fee and commission income	**44,912**	**54,056**	**-9,144**	**-16.9**
Total net fee and commission income	**242,522**	**230,858**	**11,664**	**5.1**

Dividend income

Dividends collected in 2021 amounted to Euro 1,187 thousand vs. Euro 761 thousand in the previous FY and consisted mainly of income from O.I.C.R. collective investment undertakings.

Financial income (loss)

The Bank reports a financial loss of Euro 22.1 million vs. income of Euro 20.9 million reported in the previous FY: the decrease resulted mainly from the measurement of units of O.I.C.R. collective investment undertakings with the new measurement bases accounting for Euro -38.2 million and from realized gains on government securities closed to maturity (Euro 14,7 million).

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Activities on interest rates	(1)	(11)	-10	-90.9
Stocks	55	(89)	144	N.s.
Foreign exchange	1,383	2,408	-1,025	-42.6
Total profit (losses) on financial assets held for trading	**1,437**	**2,308**	**-871**	**-37.7**
Total profit (losses) on assets held for hedging	**79**	**(170)**	**249**	**N.s.**
Net profit (loss) on financial assets and liabilities measured at fair value	**(38,257)**	**(6,915)**	**31,342**	**N.s.**
Total profit (losses) on securities measured at amortized cost	**14,700**	**24,384**	**-9,684**	**-39.7**
Total profit (losses) on securities through other comprehensive income	**(102)**	**1,247**	**-1,349**	**N.s.**
Financial income (loss)	**(22,143)**	**20,854**	**-42,997**	**N.s.**

Other operating income (expenses)

Item Other operating income (expenses) came to Euro 1.9 million vs. Euro 8.9 million in 2020. The 2020 figure reported also non-recurring income from the Claris Factor and the Group Pension Fund transaction.

Operating expenses

Total operating expenses for 2021 came to Euro 448.1 million, increasing by 10.2% vs. the previous FY.

Personnel expenses came to Euro 288 million, increasing by 17.4% vs. Euro 245.2 million in 2020 and also report the expenses for the voluntary redundancy provisions associated with the 2021 Next Generation amounting to Euro 38 million.

Other administrative expenses came to Euro 118 million, decreasing by 0.7% vs. 2020 (Euro 118.9 million), thanks to the savings achieved through cost optimization and rationalization actions. The expenses for contributions to the Italian Banking System amounted to Euro 25.7 million (Euro 11.2 million for the contribution to the Single Resolution Fund and Euro 14.5 million for the contribution to the Interbank Deposit Protection Fund), decreasing vs. the contributions paid in the previous FY (Euro 26.3 million). The costs incurred to manage the Covid-19 health emergency amounted to Euro 2.1 million (Euro 1.9 million in the previous FY).

Depreciation and amortization came to Euro 42.1 million, decreasing by 0.6% vs, the 2020 figure (Euro 42.3 million).

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- wages and salaries(*)	(163,620)	(159,641)	3,979	2.5
- social security contributions	(51,241)	(48,034)	3,207	6.7
- other personnel expenses	(73,174)	(37,570)	35,604	94.8
Personnel expenses	**(288,035)**	**(245,245)**	**42,790**	**17.4**
- general operating expenses	(29,733)	(30,966)	-1,233	4.0
- IT services	(31,853)	(33,042)	-1,189	-3.6
- direct and indirect taxes	(40,134)	(40,986)	-852	-2.1
- real estate property management	(3,745)	(3,490)	255	7.3
- legal and other professional services	(10,497)	(14,694)	-4,197	-28.6
- advertising and promotion expenses	(532)	(312)	220	70.5
- indirect personnel expenses	(701)	(547)	154	28.1
- contributions to support the banking system	(25,747)	(26,282)	-535	-2.0
- other expenses	(17,377)	(11,729)	5,648	48.1
- expenses recovered	42,326	43,183	-857	-2.0
Administrative expenses	**(117,993)**	**(118,865)**	**-872**	**-0.7**
- intangible assets	(8,679)	(8,430)	249	2.9
- property, plant and equipment	(33,409)	(33,913)	-504	-1.5
Depreciation and amortization	**(42,088)**	**(42,343)**	**-255**	**-0.6**
Operating expenses	**(448,116)**	**(406,453)**	**41,663**	**10.2**

(*) Excluding seconded personnel.

Operating margin

Operating margin came to Euro 106.8 million, decreasing vs. the previous FY (Euro 195.1 million) mainly due to the non-recurring elements reported above. Net of said non-recurring elements, operating margin would post a slight decrease due to the lower contribution of financial income vs. 2020.

Net Provisioning for risks and charges

Net provisioning for risks and charges came to Euro 90.3 million vs. Euro 1.6 million in the previous FY. This item reports the effects of the measurement of charges for unexpected compensations and lawsuits in accordance with the policies of the Parent Company Crédit Agricole Italia along with the recognition of contingent expenses for early termination of multi-year agreements for product distribution and service provision.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- wages and salaries(*)	(163,620)	(159,641)	3,979	2.5
Non-lending-related legal disputes	(6,239)	(163)	6,076	N.s.
Lawsuits in which the Bank is the defendant	(12,123)	983	-13,106	N.s.
Out-of-court	(1,673)	333	-2,006	N.s.
Other	(68,896)	(7,496)	61,400	N.s.
Total	**(90,288)**	**(1,551)**	**88,737**	**N.s.**

Net adjustments to loans

Net adjustments to loans came to Euro 497.3 million vs. Euro 123.4 million in 2020 in particular because of the classification and measurement of performing and non-performing loans with the bases of measurement and approaches used by the Parent Company, because of the Stelvio portfolio disposal and because of the measurement at the disposal prices of part of the lease portfolio. Excluding the non-recurring effects reported above, the ratio of net adjustments to loans net of the above-reported effects to net loans to customers as at the reporting date would stand at 0.72% vs. 0.78% in 2020.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- bad loans	(106,320)	(68,858)	37,462	54.4
- Unlikely to Pay	(334,838)	(59,011)	275,827	N.s.
- Past-due loans	(2,414)	(2,291)	123	5.4
Non-performing loans	**(443,572)**	**(130,160)**	**313,412**	**N.s.**
- Performing loans - stage 2	1,721	13,428	-11,707	-87.2
- Performing loans - stage 1	(21,263)	185	-21,448	N.s.
Performing loans	**(19,542)**	**13,613**	**-33,155**	**N.s.**
Net losses on impairment of loans	**(463,114)**	**(116,547)**	**346,567**	**N.s.**
Profits/Losses on contract modifications without derecognition	366	(1,258)	1,624	N.s.
Measurement of financial instruments	(13,899)	(979)	12,920	N.s.
Expenses/recovered expenses for loan management	(4,246)	(5,512)	-1,266	-23.0
Net losses on impairments of guarantees and commitments	(11,795)	960	-12,755	N.s.
Impairment of properties taken back at the expiry of lease contracts	(4,591)	(97)	4,494	N.s.
Net adjustments of loans	**(497,279)**	**(123,433)**	**373,846**	**N.s.**

Profit/loss on other investments

The Bank reports a loss on investments of Euro 97.5 million, of which Euro 103.8 million in higher adjustments to property, plant and equipment and intangible assets due to the write-offs of the software and hardware whose remaining useful life was changed and to the change in the bases of measurement of non-operating property, operating property, property inventories and rights of use in accordance with those adopted by the Parent Company. The adopted measurement approach was also set based on the new plan for property use. In 2020 this item reported the capital gain realized with the disposal of the pawnbrokerage line of business.

Profit (loss) before tax from continuing operations

In 2021, the Bank reports a loss before tax from continuing operations of Euro -582.3 million, vs. a profit of Euro 104.1 million in 2020.

Taxes on income from continuing operations

Current taxes and deferred tax assets and liabilities had a positive balance of approximately Euro 347.6 million vs. a positive balance of about Euro 9.1 million in the previous FY, and report the positive effect of the recognition of deferred tax assets for previous tax losses amounting to about Euro 178 million resulting from the exercise by the Parent Company Crédit Agricole Italia of the option to convert DTA for tax losses under Article 1, paragraph 233 et seq. of Italian Law no. 178 of 30 December 2020 linked to the upcoming merger of Creval.

Net profit (loss)

In 2021, the Bank reports a net loss of Euro -234.6 million, vs.a profit of Euro 113.2 million in 2020.
Excluding the effects of the change in the measurement bases and the arrangements/decisions for integration purposes, Credito Valtellinese would have reported a profit of Euro 70 million.

Comprehensive income

Items		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**(234,646)**	**113,193**
	Other comprehensive income after tax not recycled to profit or loss	**(5,304)**	**4,809**
20.	Equity securities designated at fair value through other comprehensive income	(5,632)	(308)
70.	Defined-benefit plans	310	5,153
80.	Non-current assets held for sale and discontinued operations	14	-
90.	Share of valuation reserves on equity investments measured using the equity method	4	(36)
	Other comprehensive income after tax reclassified to profit or loss	**(5,400)**	**139**
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(5,400)	139
170.	**Total other comprehensive income after taxes**	**(10,704)**	**4,948**
180.	**Comprehensive income (Item 10+170)**	**(245,350)**	**118,141**
190.	Consolidated comprehensive income attributable to Minority Interests	1	3
200.	**Consolidated comprehensive income attributable to the Parent Company**	**(245,349)**	**118,144**

Operations and profitability by business segment

As regards operations and profitability by business segment, please refer to the Notes to the financial statements Part L – Segment Reporting.

STRATEGIC PLAN AND BUSINESS DEVELOPMENT LINES

STRATEGIC PLAN

In 2021, the Italian macroeconomic situation was overall favourable, albeit with uncertainty about the developments in the health emergency and inflation. Growth exceeded expectations, proving the best in the Euro Area as to forecasts, with recovery in the main economic indicators and improved consumer and business confidence, with Italy's Recovery and Resilience Plan that will provide further opportunities and the chance for Italy to resume steady and sustainable growth and with banks playing a key role as advisors and primary channel to implement the projects to be financed.

In evolution terms, the health crisis worked as an accelerator of structural trends regarding Customers' behaviours (higher digitalization combined with relationship centrality) and their needs (reconsideration of protection products, higher savings), while speeding up technological trajectories and the need to invest in the skills and managerial approach of its human capital.

In that situation, the Crédit Agricole Italia Banking Group successfully completed the three-year transformation cycle provided for in its Medium Term Plan, which had started in 2019, effectively managing the post lock-down scenario and the consequent «rebound» in the Italian macro-economic indicators. From a business perspective, good performances were achieved especially in terms of organic growth (driven by the Brand, by the Customer Recommendation Index and by digital operations) and of increase in fee and commission income, whereby the Plan targets on the synergies within the Crédit Agricole Group could be reached a year ahead of schedule. The reporting year was also characterized by the success in the Creval deal, with Creval integration going on as scheduled, as well as by the boosting of managerial transformation within the People Project and the development in the Societal/ESG project.

A short description and the main results achieved in 2021 in all the Plan streams are given below:

1. CUSTOMER PROJECT

Consistently with the Group's values, the Customer Project pursues the ambition to provide Customers with an excellent service, along with important commercial ambitions supported by constant enhancement of the synergies with the Group's product companies:

- Investing in relational and operational excellence to support organic growth, ranking among the top retail banking players in the market by Customer Recommendation Index (CRI);
- Developing a more and more dedicated and specialized model, achieving excellence in Asset Management, investing in the service to Customers and in the growth of distribution capacity;
- Accelerating the development of Non-life Bancassurance, as a distinctive element of our offer to Customers;
- Strengthening the specialization of the Corporate banking segment on products/services with high added value.

In 2021 all the main initiatives within the Customer Project were completed and the Project is now fully operational and on the way towards a model that is 100% human and 100% digital:

- Constant growth in customer satisfaction, thanks to dissemination and interiorization, across all levels in the Group of the plan to support relational and operational excellence driving Customer Satisfaction and of the initiatives designed for the development of new relational model;
- Increasing trend in customer acquisition, driven by the digital channels, mortgage loans and the Crédit Agricole brand;
- Digital penetration on the increase thanks to continuous improvement in the Group's Internet Banking platforms and to continuous evolution in new features of the Crédit Agricole Italia app (app rating > 4 stars);
- Development of an model of excellence on high-value segments (Wealth Management), thanks also to investments in cutting-edge tools (Robo Advisor and advanced Advisory Services in synergy with Amundi) and to the enhancement of the salesforce;
- Extending the range of Non-life Bancassurance products that can be bought in an omnichannel mode, in synergy with CA Assicurazioni, and actions to streamline user experience for remote selling;
- Extension to banking products of the Off-premises distribution model (already in operation since 2020 for Investment Services and Financial Life Insurance policies), to foster user-friendliness and time saving for

- Support to businesses in their relaunch after the lock-down (Liquidity Decree Law) and in seizing new opportunities (Eco-Bonus). The Crédit Agricole Italia Banking Group's distinctiveness in the Account Manager-Customer relationship has been acknowledged by the market, thanks also to the success of its new tools that proved the best in class: the Supply Chain Finance platform went live with Dynamic Discounting and Confirming services, enabling to meet the needs of Customers and of all the players in a supply chain, with digital management of the invoicing cycle and working capital optimization; the new Foreign Exchange platform is also fully operational enabling Customers to directly execute spot foreign exchange transactions via Nowbanking Corporate;
- The development of synergies with the Group's Product Factories, achieving the 2022 objective a year ahead of schedule.

2. PEOPLE PROJECT

The main objectives of the PMT second Pillar concern the enhancement of the Group's human capital:

- Developing individual responsibility for excellence in the service to Customers, through the evolution of the leadership model;
- Reasserting the Group's distinctive culture to attract and retain the best talents and to ensure managerial culture sustainability, enhancing diversity and inclusion, female leadership and fostering generational turnover.

In 2021, the process for profound managerial and organizational transformation of the Bank continued pursuing continuous evolution in behaviours and internal models in order to be more and more attractive to customers and young talents, with important results achieved in evolving leadership styles and work approaches, welfare initiatives and inclusion policies. Specifically:

- A **generational turnover** process started, which provides for the recruitment, in the 2021-2023 time horizon, of over 500 young people having skills in line with the new competences required by the market; as at the end of 2021 about 100 young people had already been hired;
- «Inspiring change», a managerial training course went live (with over 400 managers involved), aimed at disseminating new leadership styles to foster the Crédit Agricole Italia Banking Group's **target manager profiles;**
- To improve the **feedback culture**, the "**180-degree measurement of performances**" (that is to say, managers are assessed also by their teams) continued to be tested and the **Continuous Feedback** tool went live in order for newly recruited resources to be given structured monthly feedbacks by their managers;
- **Coaching and mentoring** programmes continued providing support to resources with potential (over 100 coaching programmes started in 2021 and 260 mentoring programmes held in the last 3 years);
- An extensive training plan was implemented on the development of **digital competences**, also through *gamification* initiatives, and on **remote team management**;
- A «**New Relational Model**», was designed in cooperation with the French Parent Company Crédit Agricole S.A., to identify the set of behaviours and **good practices in the relationship with Customers**, by involving and listening to customers, consumers and resources;
- The **smart working** mode continued to be used massively in order to meet the need to work remotely caused by the health emergency and a pilot project started aimed at extending the smart working mode also to the network personnel (over 200 people involved).
- An **online training** plan was designed in order to increase ESG competences, with various targets and in various formats (e.g. webinars, Roadshows,..);
- Gender balance was ensured in new appointments of managers of the Crédit Agricole Italia Banking Group as to the number of women appointed as managers, pursuing **the reduction of the gender gap** (women accounted for 50% of the resources promoted to manager positions);
- As regards **welfare and wellbeing**, the **«Family Audit» certification** was achieved (at the end of a process that went on for over 3 years), acknowledging the commitment to deploying measures to foster work-life balance and to support the resources' wellbeing; furthermore, the **Charter of Respect** was signed as the instrument to identify and disseminate work-life balance good practices and the different behavioural/ leadership and communication styles.

In addition to the challenges already envisaged in the People Project, the training engagement for **Creval** resources was also addressed, with an extensive plan to provide them with support and facilitate the merger.

3. SOCIAL RESPONSIBILITY

The ambition to develop projects and initiatives designed to do good by the community, society and the environment, fostering the attractiveness and development of the communities the Group operates in, supporting customers in their energy transition and pursuing the ambition of being a responsible player in the protection of the environment, also consistently with the commitment of the French Parent Company, one of the signatories of the Net Zero Banking Alliance.

In 2021 the Group sped up its **action to substantiate its commitment to energy transition, climate change and inclusion**. The challenge consists in progressively evolving the business model putting sustainability at the core of key choices:

- **Sustainability Governance** was designed and implemented in accordance with the guidelines issued by the Regulator:. Specifically, a sustainable development **Board Committee** was set up and vested with the task of assessing the Group's Sustainability Policies proposed by the Managerial Committee and submitting them to the BoD, as well as with the task of monitoring the preparation of the NFS; an **ESG and Sustainability Managerial Committee** chaired by the Chief Executive Officer was also set up and vested with the task of steering, promoting, approving and overseeing sustainability-related strategic plans and initiatives;
- A **Sustainability Business Unit** also went live performing coordination and service functions for the structures engaged in operational functions;
- **Initiatives were implemented fostering the adoption of a flexible management model** based on performances and digitalization, in order to ensure work-life balance to everyone (support to parenthood and care, enhancement of the Charter of Respect,...);
- The activities for the **adoption of ESG criteria in the scoring of corporations continued, as did the activities for carbon footprint measurement, funds were earmarked for loans** to businesses that stand out for green investments and circular economy performances, in synergy with the Group's project that involves all the entities of the Crédit Agricole Group;
- Distribution of Amundi ESG-compliant **green products** continued;
- The **Ecovadis platform continued to be systematically used to assess vendors** and sustainability policies were adopted at work (dematerialization, waste sorting);
- The **ECO-ACT platform** was fed with the 2019-2020 data **for the calculation of the Group's carbon footprint**;
- The **Energy Policy** for optimal management of properties was formalized (Green Life, the Group Management Headquarters obtained the Leed Platinum certification).

These initiatives went alongside an important programme for the **transformation of the operational machine**, directed by a Digital Factory (which started in 2019) for the revision of the Bank's processes with impacts on Customers:

- **Redesign** of **key operational processes** from a digital perspective, in order to transform account managers' operational time in commercial time for Customers;
- **Industrialization/digitalization of lending processes** to manage loans with an anticipatory approach;
- **Omnichannel** integration of services fostering innovation and digitalization.

In 2021, important initiatives were carried out, continuing the projects already underway in 2020:

- The **revision of the distribution model** continued pursuing potential-based geographical coverage, with fewer and larger Branches (~150 optimization actions completed since the start of the plan), equipped with advanced tools enabling automation of transactions;
- "**Le Village Triveneto**" was opened (following Le Village by CA hubs already in operation in Milan and Parma);
- The Group signed a strategic partnership agreement with Tim and Accenture for the digital transformation of its technological infrastructure.

Furthermore, works started to **design the 2022-2025 Medium Term Plan**, which will also be based on the 3 pillars of the present MTP, informed by the **Group's Raison d'Être** focused on customers, people and the community, with the objective of continuing on its way towards innovation and digital growth, while remaining at the forefront of actions to tackle social issues, to support sustainability and to invest in future generations.

BUSINESS DEVELOPMENT LINES

In 2021, the Crédit Agricole Italia Banking Group continued to strengthen its universal customer-focused banking model, with special attention to the needs of the community, given also the persistence of the Covid- 19 health emergency. Having regard to the Retail segment, in order to stand by its customers, the Bank operates along the following directions:

- **Relational excellence** based on deep knowledge of customers, which can provide them with bespoke experiences also remotely, and driven by the implementation of initiatives designed to improve behaviours and the approach to customers;
- **Strengthening remote selling processes**, with more services that Customers can use autonomously via home banking and making digital tools available to manage the relationships with the Bank remotely;
- **Customer digitalization and online acquisition** by streamlining and dematerializing the process for current account online opening, thus improving the user experience;
- **CRM tools to support contact with customers in the best possible manner** directly interacting with them via relational/service e-mails or SMS texts and responding to their needs and indications, also through instant feedback tools.

Customer Base development

The Group implemented a set of initiatives aimed at enhancing its overall growth capacity, steadying its customer base increase over time through acquisition and retention actions. Thanks to this approach the development in the Group's customer base improved, with higher acquisition rate than in the previous years and lower churn rate. Specifically, in 2021 these activities followed 4 main directions:

- **Supporting the Network in its activities to increase the customer base**, through specific initiatives for geographical penetration (e.g. enhancing business in former UBI geographies of operation);
- **Supporting the Network in the activities to increase the customer base**, with resources specifically assigned to this task within the Regional Departments (Acquisition Coordinators) and the Financial Advisors Channel;
- **Developing Customer acquisition by strengthening the range of products and services** supplied and keeping a set of bespoke products for the different stages in the life of Customers: School/University, Savings Plans (focus on the acquisition of affluents that are not borrowers), Decumulation/Generational bridge (focus on heirs);
- **Extending operations to new markets, such as the Third Sector**, establishing partnership agreements with the Committees, employees and volunteers of the Italian Red Cross and Italian Association for the Donation of Organs, Tissues and Cells (A.I.D.O.) of Lombardy
- **Preventing customer attrition through the industrialization of the retention process** with contact campaigns and bespoke offers/earmarked funds, as well as with investments in data survey/analysis methods (e.g. instant feedback new statistical models).

Customer Satisfaction and Relational Excellence

Since the Customer Satisfaction Business Unit was set up in October 2019, the ambition to reach Relational Excellence has been pursued every day with a series of initiatives targeting continuous improvement in customer experience and thus overall customer satisfaction with the Group.

In 2021, the main challenges in Customer Satisfaction concerned the profound changes in their interaction with the Bank, as well as the different expectations that emerged. The scenario gave evidence of the strategic importance of designing a relational model based on profound knowledge of customers and able to ensure bespoke experiences also remotely.

In 2021, the Customer Satisfaction BU continued to work in a structured manner on customer satisfaction, achieving good performance consistently with those in 2020. The Crédit Agricole Italia Banking Group succeeded in improving its customer recommendation index vs. the previous year in all commercial channels. The appreciation shown by customers for the Group and the growth in customer recommendation are supported with targeted initiatives pursuing a multichannel relational approach of excellence.

To speed up the transformations underway and to support continuous improvement in customer experience, work stated to create a new relational model.

The main levers triggered to implement this project are:

- **Training/behavioural plan**, to disseminate the best behaviours for an approach to customers fit to enhance all aspects of the relationship;
- **Omnichannel Relational Model**, in which, starting from Crédit Agricole S.A. guidelines, the relational practices to be deployed in Italy have been designed;
- Implementation of a **communication plan profiled** on the different customer targets;
- Enhancement of the efficiency of the **complaint management process**, in order to reduce the time to response and the overall customer experience.

Furthermore, the work to mitigate irritants continued in 2021 with a special focus on the main problems identified in Complaints and Grievances: Successions, PSD2, c/a closure, c/a online opening and Mortgage loans. The evolution plan to mitigate 2019 and 2020 irritants also went on, with high attention to the number of missed calls at branches and ATM availability.

The achieved results featured growth in the Retail (Family, Affluent and Small Business), Financial Advisors and Private Bnkg channels.

The relation with the Account Manager proved again a strong point, thanks to good response to requests made by customers, who expressed particular appreciation for the Crédit Agricole Group because of the support it provides in case of difficulties. The advice provided, with the possibility to autonomously make transactions and remotely interact with the **Account Manager** contributed to the perception of an innovative and modern bank.

Digital strategy and omnichannel mode integration

The Group's customers have been showing appreciation for and confidence in its way towards innovation, which has been substantiating in its increased ability to provide services remotely. The strategy is mainly based on the following directions:

- **Strengthening of digital acquisition through current accounts**, via campaigns in partnership first with American Express and, in April and December, with Mastercard, offering a full digital product and a payment product. The onboarding process after the account opening was optimized with contact campaigns carried out by the Network, supplemented with over 40 DEM campaigns and other digital touchpoints; furthermore, a process for online transactions on securities accounts was implemented enabling customers to invest autonomously. Constant attention was given to the improvement of the online account opening process, in which further technological innovations will be implemented thanks to the go- live of "Video Selfie" identity verification, an enabling factor in order to reduce the time to account opening and to increase conversion rates and, therefore, acquisition volumes;
- **Enhancement of online acquisition of mortgage loans on the young people target** (under 36) as of July with a new offer and a specific landing page with strong reference to the recently introduced State guarantee on first home mortgage loans and tax benefits for the target (Italia Support Decree-bis) while renewing the user experience of the simulator on the website. In April, digital acquisition activities were extended also to new high-value segments (Small Businesses, Craft Businesses, Sole Traders and Agrifood businesses) via online lead generation and then recontacting by the Network for product finalization at branches;
- **Individuals/Small Businesses new platform**: the new CA app went live, thanks to which the gap vs. other competitors could be filled and Crédit Agricole Italia ranked among the most innovative players in the market. In H1 2021, it was enriched with new Payment features enabling road tax payments, payments to the public administration (Pago PA) and enabling SMEs to pay electronic bank receipt (RIBA) and negotiable instruments. Furthermore, in early 2021, Mobile Collaboration went live, one of the most competitive apps in the banking market, in terms of both managed products (Funds and Securities) and User Experience for Customers. The home banking app was supplemented with the feature to apply for Agos personal loans and for American Express credit cards;
- In a more and more innovative market, the Group seized new opportunities in Open Banking with Plick, a resident Fintech startup in Le Village by CA Milano (one of the Group's incubators of start-ups). Plick is an innovative digital payment tool, whereby money can be transferred ensuring a smart, safe and traceable user experience, using simply the payee's mobile phone number in the list of contacts or e-mail address. Again drawing on the Fintech ecosystem and in order to introduce new digital services to customers, the App was supplemented with the Digital Piggy Bank, a tool intended to introduce users to savings management, through a partnership with Gimme5.

"Customer Service" evolution

In 2021, the Customer Service went on with its development project to provide support to Customers in synergy with the Group branches. New activities started, such as internet banking assistance, a specific commercial action on liquidity, proactively contacting small business customers and, consistently with the evolution in the Family service model, the activity to cover customers not already contacted by Account Managers. In the reporting year, the Small Business centers in Naples and Rome were strengthened and a new one was opened in San Miniato. The activity of listening to and managing customers' requests (inbound and customer care) strongly increased in 2021. The activities to support online acquisition also increased (management of requests and applications for online account opening and for mortgage loans from the web), giving evidence of the digital channel being more and more attractive to customers. Furthermore, proactively contacting customers (outbound customer service) was a priority also in 2021, providing support to the branches.

Mortgage loans

The Group kept its good positioning thanks to its complete range of products and continuous support given to its customers. In 2021, business development and further improvement in customer satisfaction were pursued with the following drivers:

- **Product innovation**, the special offer reserved to young people went live, in order to provide them with support in achieving their independence and making full use of the incentives provided for by Italian Support Decree-Bis in favour of people under 36 years old (tax exemptions, extension of the Consap state guarantee to mortgage loans with LTV>80%). The special offer was launched with:
  - A press campaign on national and local newspapers;
  - A dedicated portal with a wide information section, chat bot and support by phone, as well as the possibility to obtain a bespoke quotation online;
  - Young people were also given the possibility to start mortgage loan repayment up to 12 months after contract signing, as well as to keep flexibility options throughout the mortgage loan life.
- **Process optimization**, the activities to improve the process and simplify the necessary documents were intensified, involving Work Groups consisting of members from both central departments and the network, in addition to the approval by the Investment Committee of resources for digitalization and innovation of the platforms.

Wealth Management

As in 2020, the pandemic crisis continued to have global economic and social impacts, but in 2021 vaccines became available and opened the way to go back to almost pre-pandemic normality. 2021 was also a landmark year in tackling climate change and ESG investments became more and more central in finance. Savings of Italian households continuously increased, with higher and higher liquidity on current accounts. In this scenario, the Group worked to identify solutions able to foster investments in order to protect wealth value over time, with distinctive orientation and positioning as regards ESG proposals. As regards ESG factors, a training programme for the certification as ESG Advisors by EFPA (the leading professional standards setting body for financial advisors and planners) was held involving the Account Managers of Retail Bnkg Affluent customers. The certification enabled our account managers to acquire a full-range view of the ESG topic, strengthening their knowledge in the environmental, social and governance scope, which is becoming more and more necessary and useful to provide financial advisory and planning services, in order to meet the needs and expectations of our customers.

Yet another priority consisted in the multichannel mode and digitalization, in close cooperation with the Digital Department, extending the range of provided services in response to the digital transition, such as off-premises distribution, the extension of services provided via Web Collaboration, and the tools available both on the App and through Home Banking.

Special efforts were undertaken for the implementation of the new Wealth Management Advisory Service model, which focuses on analyzing and meeting Customer's needs. The service went live on a pilot set of account managers. The service enables to provide not only financial but also wealth management advisory services, including on real estate and generational succession. Other releases have been scheduled in the coming months to complete the service.

The “2021 Annual Product Plan” was prepared identifying new investment proposals that are consistent with the needs and behavioural assessment/profiling of Customers, with some new products worth mentioning, such as:

- **The launch of Amundi ELTIF AgrItaly Individual Saving Plan**, a non-reserved closed-end fund, which was placed from October to December and invests in agrifood products of excellence, both from Italy and from leading European countries that can boast certified products acknowledged worldwide;
- **The creation of 2 new themed lines** in the Top Private Portfolio Management schemes (in addition to the already existing lines), with management dele3gation to CA Indosuez Wealth (Italy) S.p.A.;
- **The creation of the “fast” DCA on Amundi sections**, where the DCA plan duration is set at a minimum of 3 moths, in order to penetrate financial markets in short-term horizons, seizing opportunities of temporary declines(as an alternative to traditional lump-sum investment plans);
- **CA Smart Advisory**, a robo-advisor service mainly intended for the Households segment, with underlying portfolio management overseen by Amundi and ESG-connoted with investment in ETF.

Small Business

In 2021, activities were still impacted by the negative effects of the Covid-19 pandemic in many economic sectors, with material signs of recovery in H2 2021. The Crédit Agricole Italia Group continued to provide its customers with support, not only through the initiatives deployed by the banking system, but also through specific and tailor-made initiatives:

- **Support provided to Firms that stand out for Green and Circular Economy investments** with projects targeting environmental sustainability, through funds earmarked for this purpose;
- **Go-live of advisory services and assistance to businesses in the scope of Italy’s Recovery and Resilience Plan**;
- **Development in loans through a set of funds earmarked for specific purposes** (e.g. Preauthorized loans) to provide support to customers and communities;
- **Commercial initiatives targeting high-potential customer segments** (e.g. Craft Businesses and Sole Traders, and the Agrifood sector (e.g. Advance payment of subsidies under the Common Agricultural Policy and e- commerce in the Wine supply chain);
- **Initiatives for the optimization of customers’ liquidity** through conversion to asset management and addendum;
- **The process for customer digital acquisition became fully operational** on both the Small Business and Agrifood segments via a landing page;
- **Strengthening and continuous commercial activity on innovative products in the market** (e.g. Superbonus 110% and revolving pledge on wine);
- **Full operation of the Special Network sub-segment of the Small Business segment**, in order to ensure specialist management focusing on those Customers that show credit problems;
- **Use and dissemination of Atoka**, a marketing intelligence tool whereby qualitative and quantitative information on all Italian firms can be obtained.

Development of synergies between business lines

- **Bancassurance**: Bancassurance continues to play a leading role in the Group development and business in this sector is pursue in partnership with the insurance entities of the Group, namely Crédit Agricole Creditor Insurance, Crédit Agricole Assicurazioni and Crédit Agricole Vita. In 2021, the non-life insurance business markedly grew, with higher gross premium income. The main action lines followed in 2021 concerned the following scopes:
  - **Evolution of the selling process**, by enabling Financial Advisors and Private Bankers **to sell non-life products via off-premises distribution**, with signing via Home banking (July 2021), go-live of direct debit to current accounts for MV Liability policy renewals via Home Banking (July 2021) and new positioning of the products on home banking simplifying the user experience for product purchases (November 2021);
  - **Generation of new sale opportunities with effective and profiled promotional actions**: the **new format of “Meteo dei rischi” (Risk weather forecast) initiatives** went live, i.e. targeted seasonal campaigns supported by cashback reward promotion and specific communication plan;
  - **Improved performance of the branch procedure and service level monitoring**: a Bank/Insurance Company Technical Operation Committee was set up and tasked with the identification and resolution of the main troubles experienced by the Network;

- **Optimization of the contact plan**, supported by **cutting-edge campaigns** based on behaviours and needs expressed by customers (Omnichannel Customer Journey), in order to test the service model effectiveness and the integration between channels;
- **Strengthening competencies through specific training**: the first behavioural training master programme was held, with assistance provided by the external firm IAMA, aimed at strengthening the managerial competencies of the team of Non-Life Bancassurance Specialists.

• **Consumer Credit**: consumer credit continues to play a key role among the Group's development axes, through the partnership with AGOS. After shrinking in 2020 because of the pandemic in 2021 the non-life business markedly expanded, exceeding the market recovery. The main action lines followed in 2021 concerned the following scopes:
  - **The Bee Future initiative went live**, in cooperation with 3Bee (a resident startup at Le Village by CA Milano) and AGOS, in order to enhance the Group's green stance and raising awareness about ESG values;
  - **Optimization of the contact plan for the Network**, with the support of advanced campaigns based on behaviours and needs expressed by Customers (Customer Journey), also identifying more specific clusters;
  - **AGOS loans started to be distributed by the Creval Network in October**, with training provided to Creval resources and focus on the new communities involving AGOS specialists;
  - **Campaign to promote Green mobility**, to incentivize and reward sustainable choices made by our Customers, alongside the State incentives for the restart after the pandemic
  - **Evolution of the selling process**, the home banking Online Channel went live with a profiled range of AGOS products being proposed, with the support of recursive communication actions (e-mail messages to customers, Banners and Pop-ups on digital devices).

PRIVATE BANKING CHANNEL

In 2021, the Private Banking structure of the Crédit Agricole Italia Group proved again a key partner standing by its Customers in protecting and effectively managing personal and company assets; it constantly invested on **fundamental drivers, such as Customer satisfaction, the professional development of its personnel and the evolution of the service model.**

Having specific regard to the **service model evolution**, thanks to an in-depth benchmark analysis of the data on the target market and the main competitors, the following action strategic axes were identified and developed pursuing the ultimate objective of strengthening distinctiveness in the relationship with Customers leveraging on being part of the Crédit Agricole Group:

1) **Organizational model evolution**: it featured the creation, strengthening and evolution of specific roles supporting the activities of Private Bnkg Markets and the enhancement of their efficiency always pursuing better and better management of Customers:
   - The team of **Private Banking Commercial Coordinators** was completed and vested with coordination and liaison between Private Banking Markets and the Private Banking Central Department of Crédit Agricole Italia, supporting the development of specific geographical areas, the achievement of business objectives and oversight of performances. The Commercial Coordinators also work alongside Market Heads and Private Bankers in managing high-standing Customers and participate in the de3velopment of the Channel evolution projects.
   - The team of **Private Banking Financial Advisors** was strengthened; it consists of specialists supporting commercial awareness and socialization and entertainment activities, who work alongside Private Bankers at the periodic meetings with Customers, assist them in preparing proposals for investment, financial instruments, insurance products and "Model Portfolios" that are tailor-made on Customers' expectations and needs and in the analysis of existing portfolios. The Private Banking Financial Advisors also perform analyses on the financial instruments placed with Private Banking Customers and analyses on the trends and developments in financial markets and macroeconomic data, as well as benchmarking analyses.
2) **Customer Coverage evolution**: The Crédit Agricole Italia Group's Private Banking new service model stands out for the interaction between various players that synergically cooperate to improve and enhance the Bank/Customer relationship, thanks to joint planning of the meetings with Customers, which is constantly monitored with piloting tools. In managing Customers, Private Bankers work with a team of experts, who go with them to meetings with Customers, which, on the one hand, increases the perceived competence that is the result of belonging to a leading Group such as Crédit Agricole and, on the other hand, enables the Private 1Bankers of the Crédit Agricole Italia Group to establish even more firmly their role as full-range advisors and guide for their Customers.

3) Stronger range of products and services

The Private Banking structure can rely on a complete range of products and services, built with an open architecture approach. The approach to wealth management is based on understanding the needs, objectives, risk appetite and behavioural profile of each Customer, in order to propose bespoke and consistent solutions, constantly monitoring the overall portfolio risk.

The range of products and services includes asset management, UCITS, insurance products, transaction services, advanced financial advisory services (Valore Plus Solution) and support in non-financial matters (e.g. legal and tax matters relating to wealth planning needs)

The main developments in 2021 as regards the range of Private Banking products and services were:

- Bespoke collective investment schemes, in cooperation with Amundi SGR and Soprarno (Amundi Buy & Watch US High Yield, Amundi Private Finanza Digitale 2025, Amundi Private Age of China, Soprarno Total Return focus Asia), focusing on specific investment themes (e.g. thematic investing and emerging market investing);
- Bespoke issues of CACIB Certificates, with different types of structure and underlying assets;
- Placement of an AIF that invests in illiquid financial instruments with the purpose of promoting the development of Italian/European SMEs, with long-term time horizon (Amundi ELTIF Agritaly Individual Saving Plan).

4) Stronger Channel and training programmes:

- In 2021, **recruiting**, both internal and external, was intensified, in order to strengthen the main strategic hubs and to improve the market positioning of the Crédit Agricole Italia Group's Private Banking Channel;
- **The development of new competencies and skills** has always been a priority for the Crédit Agricole Italia Group's Private Banking Channel and in 2021 it became even more important due to the complexity of the economic scenario, which made the management and protection of savings also more complex. Responding to that need, the Crédit Agricole Italia Group's Private Banking Channel developed, in cooperation with the Personnel Training Service, **training programmes designed, to strengthen, on the one hand, understanding of needs and, on the other hand, the ability to identify the best solutions to meet Customers' needs and expectations**;
- Within the development of Private Bankers' specialist competencies and skills, the training programme that had started in 2019 and focused on the needs of customer entrepreneurs went on: we **started from the management of generational turnover at family-owned enterprises and succession planning and, in 2021, we dealt with the matter of business and personal discontinuity of Customer entrepreneurs**;
- "**Customers at the centre**:" was the title of the training programme that led our Private Bankers on the path towards the development of their role increasingly as the main interlocutor of a hub of relations, to be a partner of choice for Customers to address their needs and projects, not only financial ones.

In 2021, a landmark was also the enhancement of the **cooperation project with Indosuez Wealth Management** (the"Aliante Project") aimed at optimizing the synergies within the Crédit Agricole Group, in order to improve its positioning in the Italian wealth management market, strengthening the commercial interaction between the two entities and extending the range of investment products and services that can be proposed to Customers.

Group synergies have always been one of the main strengths of the Crédit Agricole Italia Group's Private Banking Channel and, giving further evidence of this, in 2021 the Channel was one of the winners of the Private Banking Awards as "**Top International Private Banking**", thanks to its renewed service model, which has emphasized and enhanced the synergies and cooperation with the companies of the Crédit Agricole Group (Crédit Agricole Indosuez Wealth Management Italia, Amundi Sgr, Crédit Agricole Vita and Crédit Agricole Assicurazioni).

In 2021, the releases were completed for the "**CA per te: la consulenza dinamica**" off-premises distribution process, a **fully paperless and high operational efficiency digital process**, targeting the Customers of the Private Banking and Financial Advisors Channels.

Thanks to these latest implementations, account managers can:

- Supply Customers with the products governed by the Italian Consolidated Law on Banking (e.g. C/A, Debit and Credit cards) and perform the related after-sake activities;
- Promote and place assets under administration (Government securities, Stocks, Bonds, ETF, Certificates,..), assets under management (Funds, SICAV, portfolio management products, Life and Non-life insurance policies;

- Open accounts (e.g. current accounts, securities accounts, administering regulatory questionnaires, ..) for new customers with advanced methods (fully digital process);
- Acquire customers' identity documents "live".
- The model is fully compliant with all applicable legislation and regulatory requirements and it supported by an internal controls system structured over several levels, in line with the Group's Internal control framework, in order to identify, correct and prevent any anomalies in operations through specific controls.

The two main drivers that boosted digital innovation in the Crédit Agricole Italia Group's Private Banking Channel were:

1) The **Improvement in the Customer Journey and User Experience** streamlining interaction with Private Bankers for advisory services and making it more user-friendly
2) **Enhancing the efficiency of Private Bankers' activities**, in order for them to dedicate more time to advisory services and commercial development.

Other significant initiatives in the year concerned:

- Increasing trend vs. the previous year in DOXA surveys on the satisfaction of Private Banking Customers, which gave once again evidence that our Private Bankers are the main drivers of promotion, especially in terms of competence, trust and personal relationship;
- Organization of events for Customers, made compliant with the safety measures in force at the relevant time (e.g. Festival Verdi, exhibitions, Champions roadshow, Le Village by CA in Parma and Milan..);
- Intensified communication activities, in terms of both internal communication through Skype-calls with the network and through digital workshops and seminars, in cooperation with Advisory Private and the leading international Asset Managers; and in terms of external communication with relational DEMs and monthly newsletters with financial contents sent to Customers.

CORPORATE BANKING CHANNEL

In 2021 the Corporate Banking Channel played a key role in supporting the business recovery of corporations, thanks to strong focus on customers and to the proposed innovative solutions that generated higher confidence and strength. The innovative and sustainable approach, along with traditional products, contributed to strengthen the partnership with customers and fostered a new way of doing sustainable business with important social and environmental benefits.

The Corporate Banking Channel extended its range of products and services implementing new digital solutions and enhancing its business through several initiatives and actions, such as:

- **Development of a supply-chain approach**, thanks to the extension of the range of distinctive and high added value services provided through the Group's Supply Chain Finance Platform, which enables to meet the needs of all the players in a given supply chain, with digital management of the invoicing cycle and working capital optimization;
- **A team responsible for Italy's Recovery and Resilience Plan scope defining** a business model for a differentiated, specialist and advisory approach across the entire corporate perimeter, based on the cooperation with Warrant Hub, and the creation of a cross-channel commercial team;
- **Ecobonus-related support** with a team set up for this purpose and a point of contact in each Corporate Banking Area, who provides support to Account Managers in their relations with corporations, as regards both the applicable legislation and business;
- **Focus on digitalization** with the go-live of the new Foreign Exchange platform, implementing a new method (digital via the Internet) for the provision of foreign exchange trading services, the extension to all the commercial network of the Sistema Esperto Stand Alone 4.0 platform, which provides account managers with more sector insight, benchmarking between competitors and forward-looking analyses. The purpose of all the above is to achieve an evolved and bespoke relationship with customers, along with the Sales Navigator LinkedIn solution that facilitates contact with prospects and makes the Group communication more effective;
- **Cooperation with Le Village by CA**: the three innovation hubs in Milan, Parma and Padua (recently opened) support the growth of startups and of the network of local businesses that are strong in innovation;

- **Support provided to enterprises**: with new loans guaranteed by the Central Guarantee Fund, the "Garanzia Italia" agreement with SACE and with arrangements for suspension and postponement of loan repayments;
- **The use of instruments and agreements with financial institutions** in order to develop products and to foster access to credit by SMEs (EIB, European Investment Fund (EIF) allocation, the agreement between the Italian Banking Association and Cassa Depositi e Prestiti on "Capital Equipment Allocation", Guarantees provided by SACE and by the Italian State Guaranty Fund for SMEs);
- **Constant focus on Customers and on Customer Experience**, as proved by the growing trend in the Customer Recommendation Index for three years, in order to further increase the Group promotion and the number of its promoters thanks to a proactive relationship and to the distinctive features of the Crédit Agricole Group;
- The organization of initiatives (e.g. "Coffee with Enterprises", internationalization workshops, Supply Chain Finance workshops), which involve Customers for retention purposes and in order to address together especially interesting matters, such as the management of financial risks, internationalization, leases, liquidity management solutions and generational turnover;
- Participation in the "Meet the Champions" initiative, which, through on-the-road meetings with firms that proved the best performers in the year, enabled to network with Italian players of excellence, both already customers and prospects, providing them with support and making all the Crédit Agricole Group's potential available to them;
- **Support to internationalization and exporting activities** with the services designed for Italian enterprises that want to expand their business, thanks to the Specialists Network, to the International Desk and to trade agreements, as well as to the Group being an international player;
- "ITACA (ITAlian Corporate Ambition)", an initiative focusing on a range of products and services developed in synergy with CACIB for the Mid-Corporate segment, which, thanks also to the fact that said products and services are advanced and specialist-grade, promoted synergies within the international perimeter of the Group in the interest of the highest-level Corporate Banking customers.

PERSONNEL

The Covid-19 emergency had strong impacts also in 2021 on the Group's personnel. Therefore, specific processes and protocols were constantly updated, in order to ensure continuation of operations and to provide constant support to people.

As done in 2020, the process for daily tracking, monitoring and reporting Covid cases and quarantines was kept operational, also in order to ensure fast communication with the local NHS agencies. From the pandemic outbreak to 31 December 2021 among the Group's personnel there was a total of .231 Covid cases (808 in 2021 and 256 still underway as at 31 December) and 2,391 quarantines (1,010 in 2021 and 173 still underway as at 31 December).

All the Group's premises where the personnel members positive for Covid or quarantined had been or where customers positive for Covid had been were sanitized, in order to ensure people's safety and a fully healthy workplace. From the pandemic outbreak to the reporting date, over 1,400 sanitization interventions were performed on the Group's premises (860 in 2021).

At the end of 2021, 2,312 Ordinary Smart Working contracts and 5,120 Emergency Smart Working contracts were in force.

Covid antibody and antigen testing campaigns were carried out, with the tests provided free of charge to all employees of complex sites. For all the other personnel members, rapid antigen tests taken when returning from summer vacations or requested on a precautionary basis by the Group's occupational physician were refunded. As at the year end, a total of over 3,500 antibody tests and over 3,500 antibody tests and over 3,900 antigen tests had been administered.

The Group's personnel members were given the opportunity to have their vaccination in June and July through the Partner Company, joining the vaccination campaign organized by the Parma Employers' Association, in order to protect the safety of all employees and to contribute to fast implementation of the Italian National Vaccination Plan.

Following the entry into force of Italian Decree 127/2021 on 15 October 2021, the Group implemented the daily check of "Green Passes" for access to all its premises and for all its employees, complying with the obligation laid down by the Italian State. At the same time, a tracking process was implemented to monitor and report the employees that did not have a Green Pass and, therefore, were not allowed to access the Group's premises.

A return-to-workplace process for "vulnerable" employees was structured with the relevant Occupational Physician, in order to ensure that all employees in said category could return to the workplace in full safety and on a voluntary basis. In 2021 a total of 85 employees returned to the workplace.

The percentage of employees physically present at the Group's complex sites was continually monitored. The allowed percentages of physically present employees were defined in accordance with the"colours" assigned to the Regions at the relevant time by the competent authorities ensuring the utmost protection of all employees. The highest percentage (cap) of physically present employees was 50%, in "white zones".

Also in 2021 interaction with the Trade Unions and with the Workers' Representatives for Safety was constant at the meetings the organizational, management and prevention measures deployed at the relevant time to handle the health emergency were described, thus ensuring full agreement on the many matters linked with Covid-19.

In terms of number, resources on the Group employee ledger as at 31 December 2021 were **13,096i**.

In the reporting year, at the Group level, net of contracts transferred/acquired, **365** resources were recruited vs. the **exit of 540 resources**.

New **hires** were assigned by over 70% to the **Network and to specialist channels**. Recent graduates accounted for 75% of total new hires, consistently with our Group's values. On the other hand, the "Quota 100" retirement scheme accounted for about 50% of redundancies.

Personnel consists by **98.7%** of employees with permanent employment contracts, while, in terms of gender, women account for **48%** of total resources.

The Group operates in 14 Regions of Italy, while keeping strong roots in the Emilia-Romagna, Lombardy, Friuli Venezia Giulia, Veneto and Sicily Regions where over 73% of the Group personnel works.

The employees' average age is **47 years and 6 months** (of which in years point months – Senior Managers **54.07** – Junior Managers **50.03** – Professional Areas **44**) whereas average seniority in service is **19 years and 4 months** (of which in years point months – Senior Managers **17.1** – Junior Managers **22.02** – Professional Areas **17**).

In 2021, the Group went on with the implementation of its 2022 Medium Term Plan (MTP), which is based on three pillars: Customer Project, People Project and Social Responsibility Project. More specifically, the objectives to be achieved within the People Project concerned the development of individual RESPONSIBILITY and of collective strength to provide customers with a service of excellence, the reassertion of a DISTINCTIVE CULTURE to attract, engage and retain talents and to ensure the sustainability of our managerial culture and the dissemination of initiatives designed to reassert that "inclusion" and "gender diversity" are truly core for us.

Consistently with the Medium Term Plan and with the Group's strong focus on the "People Project", high investments were made in training of resources at all levels within the Group, strengthening and supplementing the training systems, both in person and remote, through the Digital Academy. Indeed, over **52 thousand man-days** worth of training were provided involving **99%** of the personnel, thus substantiating that training, provided through different channels and in more and more involving formats, is one of the key drivers for the Group development. Specifically, several managerial training initiatives were organized on effectiveness in people management and development, on the relationship with customers and on Sustainability and Diversity&Inclusion topics.

As regards the actions aimed at the growth and enhancement of people, initiatives continued in order to ensure crosswise and interfunctional development of the Bank's young talents.

Moreover, again at Group level, the second step was completed in the project for surveying the competences and skills of all Personnel (Alisei). In the reporting year, some internal communication initiatives were carried out aimed at fostering open and direct dialogue, as well as at promoting awareness and change.

As in the last few years, also in 2021, the Crédit Agricole Italian Group was certified as a Top Employers company. The annual survey carried out by the Top Employers Institute certifies the best companies in the world in the HR scope, those that provide excellent work conditions, that train and develop talents at all corporate levels and that make constant efforts to improve and optimize their Best Practices in the field of Human Resources.

Equal opportunities and Inclusion

*As regards **Diversity&Inclusion**, in 2021,the Group kept strong focus on **gender inclusion**, which it has been addressing for over ten years with several actions already deployed, such as:*

- *Its partnership with **Valore D**: an association that promotes gender balance and inclusive culture in organizations, Valore D gives us support in designing inclusive new organizational models through the provision of annual training programmes for all organizational levels, cross-company mentorship programmes and D&I events;*
- *The signing of the "**Manifesto per l'occupazione Femminile**" (Women Employment Manifesto), a programme document conceived and written in 2017 by the association and pursuing the objective of enhancing female talent in businesses;*
- *The adoption of the 'Inclusion Impact Index, developed by Valore D as a tool to measure inclusion policies, which also enables benchmarking vs. the market;*
- *Subscription, as the first Italian Banking Group, to the "**Women in Banking**" Charter, which was promoted by the Italian Banking Association (ABI) to enhance gender diversity as a decisive factor driving sustainable development and growth;*
- *The **Agreement against gender violence** signed with the Trade Unions;*
- *The adoption of the "Charter of Respect";*
- *Subscription to the **ABI Protocol** providing for easy loan repayment terms to women that are victims of gender- based violence*

The Group's commitment to 'gender inclusion substantiated in an even more organic manner in 2021, with the adoption of a three-year plan providing for tangible actions and organized on 3 streams that concern:

- *Change Management, to promote diverse behavioural and leadership styles;*
- *Work-Life Balance, to foster respect for work-life balance;*
- *Equity & Pay Gap, to ensure equal pay for equal work and equal merit, irrespective of gender.*

The Next Generation Plan

Within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.

With the exit of the resources who are the oldest in age and have been on staff the longest and the concomitant entry of young resources having the knowledge and skills to "keep up with the times", the Group will the able to continue to effectively compete in its industry, which is undergoing deep transformation, not only in technology terms.

Based on the outcome of the management and organizational analyses as useful to achieve the Plan objectives, the Group proposed that a voluntary redundancy schemes offering incentives be implemented for up to a total of 1,000 resources, with concomitant hiring of 500 recent graduates.

For the voluntary redundancy scheme with incentives, as done with the schemes implemented in the past and similarly to industry ones, access was given to the extraordinary benefits provided by the solidarity fund for banking sector employees; this solution may apply to those that will qualify for pension in the period between H2 2022 and 2027.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions as regards Credito Valtellinese and Creval PiùFactor.. Voluntary redundancy was applied for by198 people – for a total cost of Euro 38 million – and their applications were accepted. In order for the turnover to be appropriately gradual, four timeslots in 2022 and 2023 have been set for the resources who have taken the voluntary redundancy scheme to leave.

During this period, structured retraining and professional conversion programmes will be provided aimed at facilitating the management requirements for any coverage of vacancies, also from a professional development standpoint.

RISK MANAGEMENT

The Crédit Agricole Italia Banking Group attaches great importance to the measurement, management and control of risks, in order to achieve sustainable growth in a political-economic scenario, such as the present one, featuring high complexity and evolving rapidly.

Within the Crédit Agricole Italia Banking Group, the Parent Company Crédit Agricole Italia is responsible for overall steering, managing and controlling risks for the whole Group, triggering operational action plans that allow reliable control on all risk situations. In turn, the system set by Crédit Agricole Italia is based on the Supervisory regulations and on the directions set by Credit Agricole
S.A. concerning its subsidiaries The Risk Management and Permanent Controls Department (Italian acronym DRPC) performs risk management and control activities for all the Companies of the Crédit Agricole Italia Banking Group.

The founding principles informing all activities for risk management and control are the following:
- Clear identification of risk-taking responsibilities;
- Measurement and control systems that are compliant with the Supervisory guidelines and consistent with
- the solutions more frequently adopted at an international level;
- Organizational separation between operating and control functions.

The perimeter of detected, monitored and integrated risks (taking account of diversification advantages) in the economic capital includes:
- Credit and counterparty risks, including concentration risk;
- Market risk of the Trading Book;
- Price risk of the Banking Book;
- Interest rate risk of the Banking Book;
- Liquidity risk;
- Foreign exchange risk of the Banking Book;
- Operational risk.

The Crédit Agricole Italia Banking Group updates, normally on a yearly basis, its Risk Strategy, which sets the levels of risk (credit, financial, market and operational risks) which the Group deems adequate to its development strategy. Based on the Strategy, which is submitted to the Risk Committee of Crédit Agricole S.A. for its approval, global limits and alert thresholds are set and are appropriately supplemented with operational limits that are specific to each single Entity in the Group. This system, setting limits and/or alert thresholds, is submitted to the Boards of Directors of the Parent Company Crédit Agricole Italia S.p.A. and of the single Entities of the Group for their approval.

The Group's main Committee overseeing the specific risk scopes is the Risk and Internal Control Committee, which coordinates the structures that are the holders of control functions (Internal Audit, Compliance, and Risk Management and Permanent Controls), as well as the set of internal control arrangements, in compliance with the procedures adopted by Crédit Agricole at the Group level. The Risk and Internal Control Committee is responsible for examining and approving risk management guidelines, giving its opinion on the specific Risk Policies to be approved by the Board of Directors and for deciding on any proposals submitted by operational work teams that handle the specific problems generated by the different risks.

In accordance with their respective responsibilities, the roles and department engaged in control functions sit also on other management Committees, including the New Activities and New Products Committee (Italian acronym NAP), the ALM Committee, the Investment Committee, the Loan Committee, the NPE Committee and the Performing Loan Monitoring Committee.

Lastly, the Departments engaged in control functions participate in and report to the Audit Committee for Internal Control; this is a Board Committee set up by the Parent Company's Board of Directors in order to have support in ensuring the effectiveness of the internal control system, pursuant to the "Supervisory provisions concerning banks' organization and corporate governance" issued by the Bank of Italy on 4 March 2008, which recommend that Board Committees be set up within entities that are large-sized or feature high complexity.

The Audit Committee for Internal Control also verifies whether the incentive system implemented by the Bank is consistent with the applicable regulatory provisions.

INTERNAL CONTROLS SYSTEM

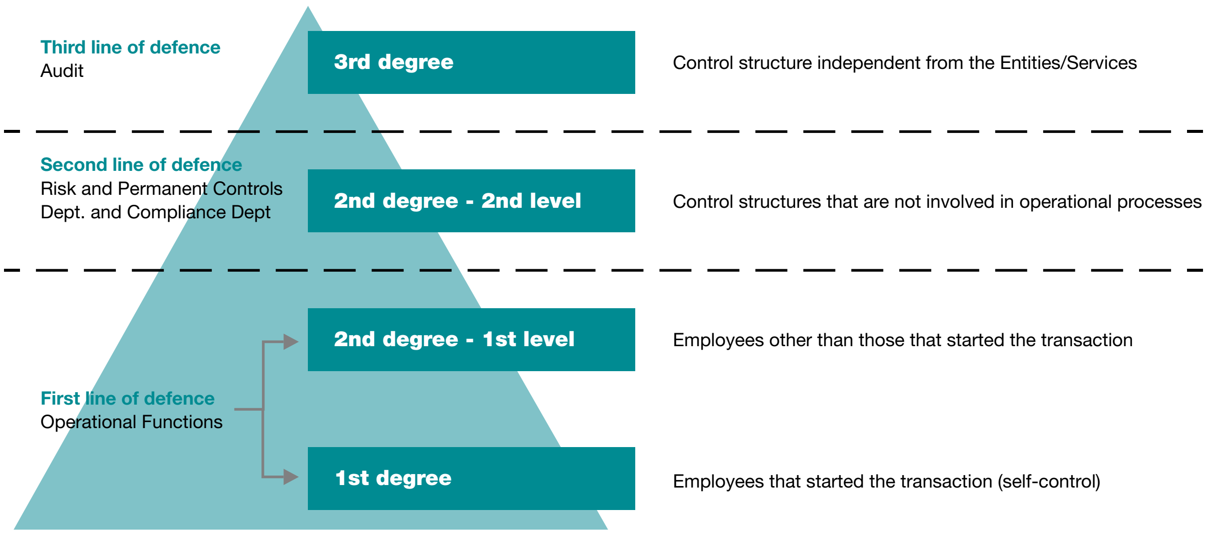
The Crédit Agricole Italia Banking Group has progressively upgraded its internal control system to the applicable Supervisory provisions (Bank of Italy Circular No. 285/2013) and to the model implemented by the Controlling Company Crédit Agricole S.A.; therefore, it implements a system aimed at:

- Constant control of risks;
- Adequacy of the control activities to its organizational structure;
- Ensuring reliability, accuracy and promptness of reporting.

The internal control system provides for the involvement of the Collective Bodies, of the roles and structures engaged in control functions, of the "Organismo di vigilanza" (Body in charge of offence prevention -AML, Terrorism Financing, etc. - provided for by the Italian Law), of the Independent Auditors, of the Top Management of the Group' Companies and of all Staff members.

The analysis and monitoring of risks are carried out based on Group references, which provide for verification of abidance by the regulatory terms, of the reliability of process and their exercise, security and compliance.

Supervisory Authority ACPR set out in the document "Arrêté du 3 novembre 2014 relatif au contrôle interne des entreprises du secteur de la banque, des services de paiement et des services d'investissement".
The Internal Control Framework of the Crédit Agricole Italia Banking Group is implemented with the three defence lines set out in the chart below:



- First line of defence:
  - 1st degree controls: performed continuously, at the start of any transaction and throughout the process for its validation, by the employees that carry it out and by the persons they report to on a solid line, or performed by the automated systems for transaction processing;
  - 2nd degree – level 1 controls: performed by employees other than those that started the transaction;
- Second line of defence:
  - 2nd degree – level 2 controls: performed by the specialist structures engaged in last-level permanent controls, independent from structures and roles with business executive functions.

1- and 2.1-degree controls aim at identifying, correcting and preventing any irregularities or anomalies in operations. 2.2-degree controls may be performed also based on the evidence found within lower-degree controls and, therefore, they may express also outcomes of lower -degree controls.

- Third line of defence:
  - 3rd degree periodic controls performed by the Internal Audit Department.

The updating of the system of normative instruments is also constantly focused on and, in addition to the upgrading to the regulations already implemented, also entails a coverage extension through specific policies that are in force for the Group as a whole.

The structures and roles engaged in 2nd-degree/2nd-level (2.2) and 3rd-degree controls report to the Boards of Directors of the single Companies on:
- Activities carried out;
- Main risks detected;
- Identification and implementation of the mitigation mechanisms and the effects of their implementation.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The qualitative and quantitative analysis of the transactions made in the year with parties falling within the definition of related party as given by the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Banking Group", which was adopted in July 2018 and updated as of 1 July 2021, is reported in Part H of the Notes to the Financial Statements, to which reference is made.

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

The analysis of any atypical and/or unusual transactions, in accordance with the definition given in CONSOB Regulation 11971/99, is reported in Part H of the Notes to the Financial Statements, to which reference is made. In the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

OTHER INFORMATION

NFS

The Directors of Credito Valtellinese S.p.A. exercised the option for the exemption from the presentation of the Bank's Non-Financial Statement under Article 6, paragraph 2, of Italian Legislative Decree no. 254 of 30 December 2016.

OUTLOOK

The macroeconomic growth posted in 2021 is being affected by the geopolitical events that occurred in February 2022 and culminated in the invasion of the territory of Ukraine by the army of the Russian Federation and Belarus, after the Russian Government recognized the independence of the Donbass separatist region. The invasion was condemned by the European Union Member States, by the United States of America and by all NATO Member Countries and triggered several economic sanctions against Russia and later also against Belarus, which have generated severe impacts on some sectors, such as the bans on exports of technologies, prohibition to engage with Russian state-owned enterprises, strategic entities and oil&gas producers, as well as the bar from SWIFT of Russian banks. The sanctions generated an immediate crisis in the Russian financial system and subsequent strong depreciation of the Russian currency, sovereign rating downgrading, serious risks of failure for Russian banks and plunging of the market prices of securities issued by Russian companies. The negative effects of the sanctions are already impacting on Western economies with uncertainty about the macroeconomic scenario, whose duration depends largely on the unforeseeable duration of the wart. The upward trend in energy and commodity prices, already underway before the Russia-Ukraine war, worsened, generating serious repercussions on economic growth in Europe and in Italy, with the ECB revising down its GDP growth expectations vs. the figures announced at the end of 2021.

In this scenario, which is very complex and uncertain due to the extent of the involved economic sectors and to the unforeseeable duration of the crisis, Creval's exposures to Russian and Ukrainian banks are negligible, considering that the Crédit Agricole Italia Banking Group's total exposures to those Countries amount to Euro 14 million, i.e. 0.02% of total on-balance-sheet and off-balance-sheet loans. Conversely, quite a different story is the extent of possible indirect economic implications that may affect the Group's customers resulting from this continuously evolving situation. For the time being, any forecast would be premature and point-in-time updates will be communicated to the market when the macroeconomic scenario stabilizes.

The events and consequent actions are being constantly monitored by specific Crisis Committees, which were set up at the very outbreak of the war, and in close coordination with the Parent Company Crédit Agricole S.A.

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

On 1 February 2022, after receiving the relevant authorization from the ECB, the Board of Directors of Credito Valtellinese passed the resolution for the merger by absorption of Creval into Crédit Agricole Italia S.p.A., under Article 2505 et seq. of the Italian Civil Code. The merger is expected to be completed in April 2022.

MACROECONOMIC AND BANKING OUTLOOK FOR 2022

MACROECONOMIC SCENARIO[23]

After its large momentum in 2021, growth in the most industrialized economies is expected to continue robust albeit at a slower pace, as inflation is expected to increase, once again driven by energy prices (especially the price of natural gas, which is expected to remain high in the coming months) and by procurement disruption. Despite the inflation outlook being very uncertain, some optimism nevertheless remains in deeming its increasing trend modest, also thanks to gradual rebalancing, in the medium-long term, between demand and supply, as economic expansion will be more linear (after its exceptional recovery vs. 2020) and given the favourable scenario in terms of capacity to address any further pandemic waves and Covid-19 new variants, thanks to widespread vaccination, by now in its completion stage. In 2022, the Gross World Product (GWP) is expected to grow by +4.3% (vs. +5.8% in 2021), at a faster pace in developing economies (+4.6%) that in developed ones (+3.9%).

According to forecasts:

- In the **United States**, economic growth is expected to slow down, albeit moderately, with the GDP expected to increase by about +3.8% (after a remarkable growth of +5.6% in 2021), and then to go gradually back to its long-term pace: this progressive deceleration results mainly from the modest stimulus given by the budgetary policy, as the Bipartisan Infrastructure Investments and Jobs Plan and the last pillar of the Build Back Better Plan will deploy less resources than in 2021 (and the resources will also be spread over a longer time horizon) and will be financed with tax increases. On the other hand, growth remains strong, thanks also to high private consumption; to this effect, an important role is played by the savings that households set aside during the pandemic and the expectation that propensity to save will go back to its pre-crisis levels (around 8%). Nonetheless, also in this situation the inflation scenario remain a crucial variable in the forecasts for 2022 (+4.8%), as, should it persistently exceed expectations, i.e. For over six months, it might materially impact on household consumption, because of purchasing power erosion, and prove prejudicial to growth strength;
- The health crisis widened the differences between **emerging Countries** and enhanced their fragmentation, with the effects of cyclic shocks that have become structural and long-term ones, especially in the least developed economies. In a time when health is the predominating factor , the uneven progress in vaccination is contributing to growth curve distortion, especially as regards the Countries that are farther behind. In terms of inflation and macroeconomic performance, 2022 is expected to comprise two differe nt scenarios: on the one hand, H1 is expected to feature price increases (still driven by electricity, natural gas and water), the US monetary policy normalization, further increases in the risk profile of high-debt economies (Latin America, Eastern Europe), which will grow at a slower pace; conversely, H2 may feature slow realignment between demand and supply, with inflation increasing at a slower pace and general recovery in confidence. In China, producer prices remaining high and foreign trade contracting will almost certainly cause the current account surplus to shrink and the GDP growth rate to slow down to +4.9%. The extension of the government strategy deploying severe restrictions to control the pandemic impacts on private consumption performance, especially in terms of services (transports, tourism, catering), but will also result in the inflation increase being kept under control (+2,.% in 2022). Inflation will be a persistent problem for India, whose economic growth (+7.6%), driven by the strong recovery in agriculture (thanks also to a favourable monsoon season) and by the US economy, will be hit by the pressure from soaring commodity prices and, consequently, higher producer prices, which will be passed on to consumers via higher prices. The Central Bank of India is expected to deploy interest rate increases in order to contain the increase in inflation, keeping it in the 2-6% target range. In **Russia**, one of the Countries with the lowest

23 Sources: ECO, Macroeconomic scenario 2022-2023 (December 2021); Prometeia Brief: Italy in the global economy (No. 1, January 2021).

average vaccination rate, the pandemic is still thwarting economic growth (expected at +2.7%), which will in all likelihood remain modest, especially due to domestic demand being reined in by restrictive measures, and all this despite the increase in oil prices and the low unemployment rate. Conversely, the inflation rate is expected to decrease to +5.8% (vs. al +6.3% in 2021), thanks not only to the contraction in demand, but also to the policy deployed by the Central Bank, namely keeping interest rates at very high levels, in order to support real rates;

- In the **United Kingdom**, the estimated GDP growth in 2022 is +4.8% and, albeit slowing down, gives evidence of its strength, thanks to the capability of households and businesses to adapt to the restrictive measures and to the work conditions associated therewith. Nevertheless, on the other hand, the arrival of the Omicron variant should once more impact on the expenditure for services, while the canalization towards demand for goods will boost the already high inflationary pressure, expected at +4.8%. As to monetary policy, any increase in interest rates, being justified by the economic performance and by inflation, are deemed unlikely, at least for time being, and may be postponed to H2 2022.

EURO AREA

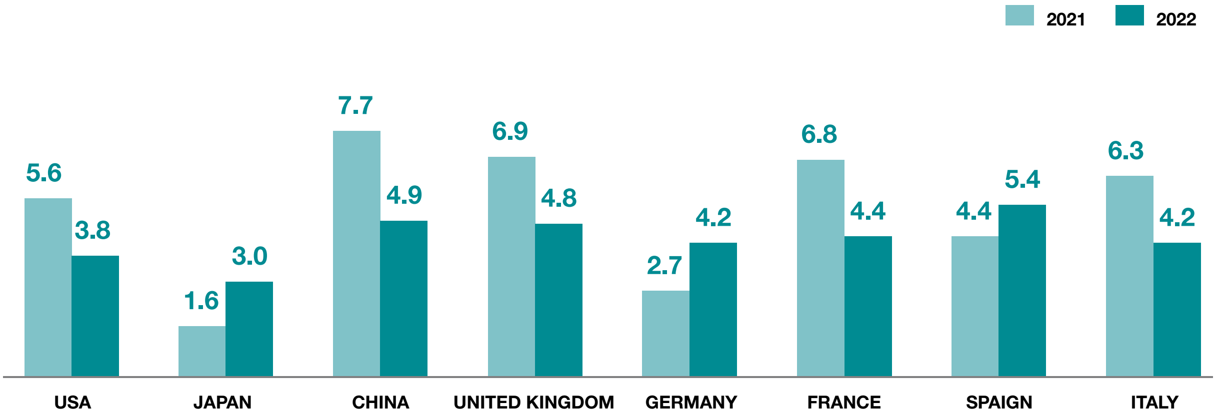
The 2022 outlook for the'Euro Areas Countries still depends on the developments in the health crisis and on the measures deployed by governments to contain any recrudescence of the virus. GDP growth has been estimated at +4.4%, slowing down vs. 2021, when it came to +5.2%, especially because of the exogenous inflationary shock that Europe is facing, which has its more direct release in the persistent weakness of aggregate demand, also consistent with the more than modest increase in wages.

Also in 2022, recovery will be driven by the fiscal policy, with the GDP expected by the European Commission (2.4%) to grow by one percentage point vs. 2021 (1.5%), as well as by the normalisation of international value chains, which should support supply recovery. The Draft Budgetary Plans, which were submitted by the various Member States in October 2021, confirmed the tapering of emergency measures and relaunch of the expenses driving economic growth, also through the implementation of National Recovery and Resilience Plans.

The forecasts for the main economies in the Euro Area are given below.

- in Germany, the GDP is expected to grow by 4.2% in 2022, vs. 2.7% in 2021. The growth in the German economy, although the one that posted the smallest recovery in 2021, is driven by investment in productive activities, with the expected easing of constraints to the supply of commodities and semi-finished products, as well as by private consumption, supported by the favourable labour market conditions and by the resumption of activities in the service sector;
- In France, the GDP is expected to grow by +4.4%, slowing down vs. 2021 (+6.8%). Domestic demand is expected to continue to be strong driver, still benefiting from the progress in vaccination: as regards businesses, the SME confidence indicators started to increase (in Q4 2021), while the fiscal policy and accumulated savings will drive household consumption, despite inflationary pressure;
- In Spain, another Country where economic growth should speed up vs. the end of 2021, the GDP is expected to grow by +5.4%. Reopening in the service sector drives private consumption; nonetheless, the fact that inflation is higher than the EU average and the unemployment rate and the business insolvency rate make it likely that the GDP will go back to its pre-crisis level not before 2023.

GDP: % YoY change



Source: ECO, Macroeconomic scenario 2022-2023 (December 2021).

THE ITALIAN ECONOMY

Albeit slowing down in Q4 2021, the Italian economy is expected to continue to grow at quite a lively pace in 2022, with the GDP increase rate firmly above the 4% threshold (estimated at +4.1%[24]), driven by substantial growth in consumption (given also the sizeable savings accumulated by households in the last two years) and progressive momentum in business investments. Nevertheless, two factors may negatively affect economic growth: the development in the health situation driven by the unpredictability of the Omicron variant may dampen recovery in the first months of 2022; inflationary pressure, which was at first deemed temporary, may hinder recovery in private consumption, should the general increase in prices last longer than a few months. Inflation remains mainly linked to energy expenditure: the surges in oil prices (+78% in 2021) and in the price of natural gas (+480% in 2021) will continue to generate impacts, as they contribute to the average annual increase in prices (expected to hit + +3.8% vs. +1.9% rat the end of 2021), but the carry-over effect is expected to lessen starting as early as in spring 2022. Assuming that the reduction in prices seen in oil, commodity and international transport markets in the last few weeks continues, the prices of the most volatile components should normalize; furthermore, the pass-through from commodity prices quoted on regulated markets to domestic prices should remain quite modest, as there are many factors that must be monitored.

Recovery in household consumption (estimated at +4.8% in 2022[25]) e driven by an expansionary budgetary policy, albeit support measures, which were specifically deployed to address the pandemic scenario, have already started to be tapered. The government tends to favour economic growth recovery and, to do so, it will postpone reduction in its fiscal deficit to the years after 2024: indeed, the current Budget Law provides for an increase in net debt (1.2% in 2022, 1.4% on average in 2023-2024). The reduction in the debt-to-GDP ratio remains a critical issue, especially as it increased by over 20 points in 2020; however, its recent decrease in 2021 allows some optimism about the achievement of the pre-crisis levels by the end of the decade.

Especially as regards the stimulus to investments in productive activities (the expectations is +7.5%), the additional string to Italy's bow consists in the NGEU funds (within the National Recovery and Resilience Plan), of which Italy is one of the largest beneficiaries, so much so that, in the light of the achieved goals, the Italian government has applied for payment of the first tranche amounting to Euro 24.1 billion. It has been estimated that the investments using the NGEU funds will contribute to the GDP growth by around 0.4%, over the plan time horizon. A key factor for the implementation of Italy's Recovery and Resilience Plan is the development in the political balance: indeed, signs of any lack of determination to govern the Recovery and Resilience Plan process may have impacts on the markets and on the BTP-Bund spread, which is expected to be stable around 130 basis points in 2022.

24 European Commission, Economic Forecast for Italy (February 2022).

25 Source: ISTAT (the Italian National Institute of Statistics) Italy's economic outlook 2021-2022 (December 2021).

The labour market gave positive signs: in Q3 2021,the number of worked hours went back to the pre- pandemic figure and the unemployment rate progressively decreased, coming to 9.2% in November. Employment opportunities25 have remained favourable, thanks to the increase in the percentage of individuals that started to work in the 3 previous months (which came to 4.2%, a figure that is very close to the Euro Area average), and considering the new all-time high number of vacancies (1.8%). Therefore, recovery in production pace is expected to go alongside with an increase in Full Time Equivalents (FTE), which will be strong also in 2022 (+4.1%, in line with the GDP growth), with an increase in the number of employed people and with the unemployment rate keeping essentially stable(9.3% the expected figure).

THE BANKING SCENARIO

The improved economic situation, thanks also to vaccination succeeding in curbing the virus spread, and the good growth outlook of the Italian economy give a favourable environment for banks' profitability.

Lending to households strengthened, thanks mainly to the increase in consumption and in the residential property sector, whereas loans to businesses are expected to slow down, due also to the progressive use of the cash accumulated in deposit accounts. Nonetheless, lending will be driven by the need to finance the allied industries of the enterprises that will receive Next Generation EU funds, which will need funding earlier than the State payments. The scenario remain favourable for asset management thanks to the reallocation of the excess liquidity accumulated by households to higher-return products as a response to uncertainty

Credit riskiness is expected to increase again in 2022, albeit by a lesser extent than during the past crises, subsequent to the end of relief measures and restarting to pay back loans backed by State guarantees, which benefited from the pre-amortization regime, resulting in impairment rates but slightly higher than 2020 ones. The impact of support measures on the quality of exposures remains nonetheless very difficult to assess ex ante, thus being a randomness elements in forecasts.

Economic recovery and the start of normalisation have been fostering the turnaround in net interest income, although with the traditional banking business profitability that will still be penalized by the difficulty in increasing net interest income from customers as the money market rates remain negative, while funding needs through medium and long term sources will increase (especially issues of bonds for MREL purposes). Net interest income will benefit from the liquidity obtained from the ECB with TLTRO-III (remunerated at 1% until June 2022 if lending targets are reached) and thus a still low cost of funding, while the contribution of security portfolios will be partially higher thanks to the progressively higher yield of Government securities. Fee and commission income will remain the main driver of the net banking income, thanks to further improvement in revenues from indirect funding, in line with the performance of total funding, benefiting also from the distribution of ESG products, as well as from the contribution given by fees and commissions for distribution of protection insurance products.

In operational context, cost management strategies remain a still important lever to support profitability. With the downsizing of the physical network, which would enable gradual alignment in terms of branches with the EU average, overhead expenses and personnel cost will especially be reduced, thanks also to generational turnover actions. However, expense savings will be partially offset by new hires with crosswise and IT competencies and skills, as well as by higher investments in technology, as necessary to upgrade IT security and service models to the digital transition, which has been sped up by the behaviours resulting from the pandemic.

A driver of profitability recovery is the creation of economies of scales through consolidation, a process that continued in 2021 and that would seem also supported by new approach of the supervisor to M&A, pending the implementation of a EU regulatory framework that removes the obstacles to cross-border consolidation .

The cost of risk is expected to increase by about 100 basis points in 2022 subsequent to the higher number of loans becoming non-performing, along with non-recurring adjustments associated with the increase in NPL disposals in the market. However, the Supervisory Authorities' attention on credit risks remains high regarding the possible increase in the loan impairment rate, especially at the end of the moratoria deployed by governments.

The banking sector is facing the post-Covid-19 scenario with a stronger financial position, which however can be supported with retained earnings. The results of the stress tests, which were published at the end of July 2021, give evidence of the industry general resilience, with capitalization that, despite the higher severity of the adverse scenario vs. the previous exercises, is expected to remain, at the end of the stress period, over 10% for significant Italian banks, widely above the regulatory limits. That result was due to a better starting point and to the actions deployed in the last few years to keep risks and costs under control.

Besides managing non-performing loans, the digital transition and the acquisition of new competencies, another important challenge for the industry, will be making products and services, as well as support activities, fit for an operating context in which sustainability is becoming of core importance. Indeed, banks are starting to make important investments in the ESG scope and in the aspects liked to climate risks, with the applicable regulations that are continuing to develop and market players showing increasing attention of said scope. In this process, the next landmark will be the supervisory climate risk stress test that the ECB will conduct in 2022, which will give a first snapshot of the position of the leading Italian banks in terms of climate risks. Furthermore, climate risk may have a direct impact on capital by 2025, when the EBA will publish its decision on the inclusion of asset sustainability assessments in the prudential framework.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE - INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF ITALIAN LEGISLATIVE DECREE 58/98 (THE ITALIAN CONSOLIDATED ACT ON FINANCE -TUF)

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS AND OTHER CORPORATE ROLES AND FUNCTIONS

Under the Company's Articles of Association, the Manager in charge of the preparation of corporate accounting documents (hereinafter referred to also as the "Manager in charge") shall be appointed by the Board of Directors after mandatorily obtaining the opinion of the Board of Auditors, and shall have professional experience in the accounting and administration fields of at least five years at the Bank or at other listed companies or at companies that resort to the risk capital market and that operate in the banking, financial and insurance industries.

The Manager in charge shall be vested with the powers and functions laid down by the applicable law. In order to ensure effective management of the administration and accounting governance process as described in the paragraph below, the Manager in charge has a support unit, which is part of the Administration and Financial Reporting Department of the Bank, and works in cooperation with other corporate structures.

The Manager in charge shall have appropriate financial resources that he or she can autonomously use to pursue his or her duties and shall issue any certifications and representations, also jointly with the relevant bodies, where required by the applicable law.

Specifically, he or she shall certify, jointly with the Chairman of the Board of Directors, the annual report and separate financial statements, the annual report and consolidated financial statements and the half-year consolidated financial report:

- The adequacy and actual application of the administrative and accounting procedures;
- Compliance with the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- The consistency of the corporate and accounting documents with the records in the corporate boos and with the accounts;
- Suitability to give a truthful and correct representation of the financial, profit or loss and cash flow situation of the reporting entity and of the set of entities in the consolidation scope;
- The inclusion in the management report of a reliable analysis of the performance and profit or loss from operations, as well as of situation of the reporting entity and of the entities in the consolidation scope, along with a description of the main risks and uncertainties they are exposed to.

DESCRIPTION OF THE MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN PLACE REGARDING THE FINANCIAL REPORTING PROCESS

The risk management and internal control systems regarding the financial reporting process of Creval is part of the wider internal control system described above. It has been designed for:

- Managing and monitoring the administrative and accounting area pursuant to Italian Law 262/05, including the definition and verification of the related governance process, of the tasks assigned to corporate structures (roles and responsibilities) and of the reporting flows to the corporate bodies and officers;
- Setting protocols for reporting to the Management Bodies and the Manager in charge of the preparation of corporate accounting documents;
- Defining disclosure protocols with the corporate structures engaged in ensuring compliance with Italian Law 262/05;
- Overall governance of the control mechanisms that support the process for certification issuance by the Management Bodies and the Manager in charge;
- Overall governance of the control mechanisms that support the process for representation issuance by the Manager in charge;
- Developing the activities for compliance with the requirements laid down in Article 154-bis of the Italian Consolidated Law on Finance via coordinating the internal structures and the subsidiaries.

The Management Model under Italian Law 262/05 is intended to define, in compliance with the applicable legislation, the financial reporting governance model. In that scope the methodological approach was designed to ensure the appropriateness of the risk management and internal control systems applying to the financial reporting processes, also for the purpose of the issuance of certification and representations by the Management Bodies and the Manager in charge of the preparation of corporate accounting documents.

That approach is based on activities of an essentially preventive and proactive nature aimed at ensuring that the Bank's low risk appetite in this scope is complied with. For its operational implementation international best practices are used in the internal control system and in financial reporting, specifically the ones listed below:

- The COSO Framework, as proposed by the Committee of Sponsoring Organization of the Treadway Commission (for the "Accounting Management Model" and the "Company Level Controls");
- COBIT approaches (for "IT General Controls").

The Models also sets out the roles and responsibilities flying with the structures that are part of the system and identifies the perimeter of the companies to which the risk management and control system regarding the financial reporting process applies.

Furthermore, proper structuring of the model enables to achieve an important competitive advantage consisting in the capacity to strengthen control mechanisms and to improve corporate reporting transparency as well as the reliability and credibility of the information provided to the market.

The approach adopted to ensure appropriate risk management and internal control systems applying to the financial reporting processes is based on the scopes listed below:

- "Accounting Management Model", regarding the management (identification, assessment, control and monitoring) of the organizational processes (responsibilities, activities, risks and controls) which are used to determine the P&L, cash flow and financial significant/material figures recognized in the annual report and financial statements and in the half-year condensed financial statements, as well as given in the deeds and communications addressed to the market and concerning financial reporting, also interim;
- "Company Level Controls", intended for the management (identification, assessment, control and monitoring) of the general and governance policies applying to or having effects on financial reporting;
- "IT General Controls", intended for the management (identification, assessment, control and monitoring) of the general rules to govern technologies, application developments and IT applications used for financial reporting.

Actual implementation of the above-described model provided for the involvement of the Corporate Bodies and Structures listed below:

- The Board of Directors, which receives, from the Manager in charge of the preparation of corporate accounting documents, on a regular basis or upon the occurrence of special situations, summary reporting on the activities performed and on the outcomes found within the application of the Management Model under Italian Law 262/05;
- Through its Chairman, the Board of Directors signs the certifications required by the applicable law under Article 154-bis, paragraph 5, of the Italian Consolidated Law on Finance;
- The Board of Auditors, which supervises the “appropriateness of the company’s organizational structure as regards the aspects in its scope of responsibility, of the internal control system and of the administrative-accounting system, as well as the latter’s reliability and suitability in correctly representing operations”, under Article 149, paragraph 1, letter c), of the Italian Consolidated Law on Finance;
- The Manager in charge of the preparation of corporate accounting documents, who ensures effective management of the risk associated with Italian Law 262/05, designing appropriate procedures and methods that may also involve various aspects of the management process; he or she designs and implements, also through structures engaged in the related functions, appropriate administrative and accounting procedures to prepare the consolidated financial statements, as well as any other financial communication; he or she signs the certifications and representations required by the applicable law;
- The “Law. 262/05 Oversight” unit, which is part of the Applicable Legislation Division of the Administration and Financial Reporting Department of Creval and ensures complete and organic implementation of the Management Model under Italian Law 262/05. It placement in the organizational structure ensures proper definition of protocols for communication with the Management Bodies, the Manager in charge and the Corporate Bodies, as well as protocols for sharing information with all the corporate structures engaged in ensuring compliance with Italian Law 262/05;
- Process owners: who ensure, in accordance with the related corporate policy, the appropriateness of the document set they are responsible for and verify that it be updated and that all the determined activities and controls be conducted;
- The Internal Audit Department, which reports on the outcomes of the control activities it performs in the scope of the Management Model under Italian Law 262/05, setting forth any findings. Said documents are provided to the Management Bodies and to the Manager in charge and are on the agenda of the Board of Directors at its meeting for the approval of the Report and Financial Statements.

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

1. The undersigned, Filippo Zabban, as Chairman of Board of Directors, and Simona Orietti, as the Manager in charge of the preparation of corporate accounting documents of Credito Valtellinese S.p.A., also considering the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:
   - the adequacy, in relation to the business characteristics and
   - the effective application

   of administrative and accounting procedures for the preparation of the separate financial statements for the period 1 January - 31 December 2021.

2. The assessment of the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements at 31 December 2021 is based on a Model conceived by Credito Valtellinese S.p.A., in line with the "Internal Control - Integrated Framework (CoSO)" and with the "Control Objectives for Information and Related Technologies (Cobit)", which represent reference standards for the internal control system and for financial reporting in particular, generally accepted at international level.

3. We also certify that:

3.1 the Financial Statements:

a) were prepared in compliance with applicable IFRS endorsed in the European Community pursuant to (EC) Regulation no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
b) are consistent with accounting books and records;
c) provide a true and fair view of the financial position and performance of the issuer and off all the companies included in the consolidation;

3.2 the Report on operations includes a reliable analysis of the performance and the result of operations, and the position of the issuer and off all the companies included in the conoslidation, together with a description of the main risks and uncertainties to which it is exposed.

Sondrio, 17th March 2022

The Chairman of Board of Directors

The Manager in charge of the preparation of

corporate accounting documents

Filippo Zabban

Simona Orietti

BOARD OF AUDITORS' REPORT

The Board of Auditors' report to the General Meeting of Shareholders

(Under Article 153 of Italian Legislative Decree 58/1998, and Article 2429 of the Italian Civil Code)

Dear Shareholders,

Under Article 153 of Italian Legislative Decree no. 58/1998 and Article 2429, paragraph 2, of the Italian Civil Code, the Board of Auditors of Credito Valtellinese SpA (hereinafter also "Creval" or "Bank" or "Company") shall report to the General Meeting of Shareholders convened for the approval of the Annual Report and Financial Statements as at 31 December 2021 about the supervisory activities performed in the period fulfilling the duties vested in the Board of Auditors by Article 149 of the aforementioned Legislative Decree.

Foreword

On 30 April 2019, with the electoral list system, the General Meeting of Creval's Shareholders appointed the present members of the Board of Auditors, replacing the outgoing members whose term of office had elapsed; the present Board members are Francesca Michela Maurelli (Chairwoman), Paolo Cevolani (Standing Auditor) and Alessandro Stradi (Standing Auditor), Simonetta Bissoli (Alternate Auditor) and Francesco Fallacara (Alternate Auditor), who will be in office until the approval of the 2021 Annual Report and Financial Statements.

In FY 2021 the Board of Auditors (hereinafter also the "Board") held 66 meetings (43 meetings with full attendance and 23 meetings from which only one member was absent and excused).

In 2022 and up to the date of this Report, the Board held 11 meetings. It is pointed out that, as in 2021 the COVID-19 emergency persisted, the Board of Auditors deemed it necessary, for protection of the Bank's directors and employees, to restrict access to the various premises of the Company, preferring to hold meetings with the Management via teleconference. Nonetheless, for the activities for which physical attendance was deemed essential, the Board of Auditors held its meeting with the members physically present, where possible, at the various premises of the Bank.

In the financial year ended on 31 December 2021, the Board of Auditors performed its institutional duties in compliance with the Italian Civil Code, with Italian Legislative Decree no. 385/1993 (the Italian Consolidated Law on Banking), with Italian Legislative Decree no. 58/1998 (the Italian Consolidated Law on Finance), with Italian Law 231/2007, with the Bank's Articles of Association, with the indications given by the Corporate Governance Code,with the principles of conduct recommended by the Italian National Council of Chartered Accountants and Accounting Experts, as well as with the applicable special laws and with therules issued by the competent Supervisory Authorities (the Bank of Italy and Consob). Furthermore, as Creval has adopted the traditional governance model, the Board of Auditors is also the "Committee for Internal Control and Audit of the Accounts" (hereinafter referred to also with the Italian acronym "CCIRC"), vested with other specific control and monitoring under Article 19 of Italian Legislative Decree no. 39 of 27 January 2010 as amended by Italian Legislative Decree no. 135 of 17 July 2016.

Where it deemed it appropriate to give recommendations and suggestions, the Board of Auditors communicated it both during the meetings held with the internal units concerned and directly to the body engaged in management or strategic oversight and to the related Board Committees, as recorded in the minutes each time.

This Board regularly reported to the Board of Directors on the activities performed and opinions given. Furthermore, taking into account the indications given in document "Rules of conduct of the Board of Auditors of listed companies" issued by the Italian National Council of Chartered Accountants and Accounting Experts, on 26 April 2018, specifically Rule Q.1.1 – Self-assessment of the Board of Auditors
– this Board conducted its self-assessment process, based on whose outcome the Board could assess the overall adequacy of its size and composition, as well as that the fit and proper requirements and the independence requirements were met and that its operation mechanisms were appropriate.

The Board of Auditors hereby reports on the activities it performed in the financial year, broken down by each supervision scope provided for by the applicable legislation governing the Board operation.

On a preliminary basis, it is to be noted that 2021 was for Creval the year of an extraordinary transaction that determined change of control, the delisting of the Bank and its becoming part of the Crédit Agricole Italia Group (hereinafter referred to also as the "CAI Group"). Indeed, as of 30 April 2021, the Credito Valtellinese Banking Group was struck off the Supervisory Lists held by the Bank of Italy and Creval became subject to the management and coordination exercised by Crédit Agricole Italia SpA (hereinafter referred to also as "CAI" or the "Parent Company") and became part, along with its subsidiaries, to the CAI Group.

Therefore, as better explained below, in 2021 the supervisory activity exercised by this Control Body was adapted to the new corporate, strategic and operational scenario in which the Bank operated and to the different structuring of reporting flows which entered into forcewith the entry in the new Group, taking also into account the upcoming merger of Crevalinto CAI.

As to timeline, the aforementioned transaction started on 23 November 2020, when CAI made a Public Tender Offer (hereinafter also "PTO") for all ordinary shares in Creval. On 28 April 2021, at the end of the PTO period, CAI had acquired 91.167% of Creval share capital with voting rights. As the equity investment CAI had acquired was above 90% but below95%, the conditions were met to start the *sell-out* of the remaining 8.833% of Creval share capital for which the offer had not been accepted, under Article 108, paragraph 2, of the Italian Consolidated Law on Finance, with a *delisting* approach. As at 4 June 2021 CAI had acquired 100% of Creval share capital and applied for the delisting of its shares effective as of the same date. Becoming part of the CAI Group, the Bank also became subject to the management and coordination exercised by the Parent Company, which, at the General Meeting of Creval Shareholders held on 18 June 2021, appointed the new Board of Directors for the 2021-2023 three-year period.

It is to be specified and it is exhaustively described below that, in said scenario featuring strategic and management discontinuity, in 2021, after becoming part of the CAI Group, Creval adopted the different accounting policies used by the Parent Company, which had a direct impact on some financial statement items (by way of example and not limited to, onthe classification of non-performing loans, the coverage ratios of both performing and non-performing loans, the measurement of securities held, on litigation and compensation). As exhaustively reported in the Note to the financial statements, both in Section 4 – Other Aspects and in the paragraphs giving the comments on performance of operations by individual item, "*after the acquisition, the accounting policies were aligned with those adopted by theParent Company and non-recurring effects were recognized resulting from the integration in the new Group consistently with the strategies set by the Parent Company*".

Consequently, Creval annual report and financial statements as at 31 December 2021 must be read, especially as regards comparison with the figures as at 31 December 2020, n mind that no immediate comparison can be done as the figures for the two FYs were stated using different measurement logics.

Supervision of compliance with the applicable law and with the Articles of Association

This Board of Auditors supervised compliance with the applicable law and with the Bank's Articles of Association, acquiring all appropriate information to perform its duties through the reporting flow system in force within the group, both as it was before the PTO (Creval as the Parent Company and subsidiaries Creval Più Factor SpA and Stelline Real Estate SpA), and as it became after Creval joined the CAI Group.

This Board attended all the meetings of the Board of Directors (17 meetings), all the meetings of the various Board Committees, which, except for the Related Party Committee, were dissolved as of the date on which the Bank joined the CAI Group. Specifically, this Board attended all the meetings of the Risk Committee (6 meetings), all the meeting of the Related Party Committee (13 meetings), all the meetings of the Remuneration Committee (7 meetings) and all a the meetings of the Appointments Committee (3 meetings).

It is to be noted that the above-reported governance changes and specifically the dissolution of the Risk Committee, entailed that (i) its proposal-making and advisory functions were taken over by the counterpart Committee of CAI (Audit Committee for Internal Control , hereinafter referred to also as "ACIC") and that (ii) in order to have appropriate support in examining matters concerning the governance of the risks the Bank is exposed to and to ensure effective coordination with the Parent Company's Bodies, Creval BoD identified an independent Director to act the point of contact for CAI ACIC, namely Professor Schillaci (hereinafter also the "Independent Director"). As of the date of Professor Schillaci appointment, this Board interacted with her and held joint meetings attended by the holders of control functions.

In accordance with the policies in force in the CAI Group, the Board shall attend, though at least one of its members, the meetings of the Loan Committee held to resolve on loans exceeding certain amount thresholds, as well as the meetings of the Group Loan Committee in case of resolutions concerning Creval customers. Therefore, in 2021 this Board attended 18 meetings of the Loan Committee and 11 meetings of the Group Loan Committee. Furthermore, the control body interacted with the *Comitato di Vigilanza e Controllo* (body engaged in offence prevention required by Italian Legislative Decree 231/2001), whose meetings (5 out of 6) were attended by the Chairwoman of the Board of Auditors, thus ensuring exchange of information on specific matters relevant for both bodies.

In 2021 some of the members of the Board of Auditors in office attended various training courses held by organizations external to the Bank on topics regarding the Board supervisory activities and specifically on applicable legislation and regulatory matters. Said refresher activities were part of the training plan implemented in compliance with Bank of Italy Circular no. 285/2013 (point e., paragraph 2.1, Section IV, Chapter 1, Title IV), considering the individual and collective training needs of the Control Body.

Opinions

In FY 2021 this Board of Auditors gave the following opinions:

- Opinion of the Board of Auditors on the amendments and supplements to the "Procedures concerning transactions with related parties and connected persons";
- Report of the Board of Auditors of Credito Valtellinese SpA to the General Meeting of Shareholders held on 19 April 2021, responding to the claim filed under Article 2408, paragraph 3, of the Italian Civil Code against shareholders Credit Agricole AssurancesSA and Credit Agricole Italia SpA;
- Opinion of the Board of Auditors of Credito Valtellinese SpA on the consensual early termination of the control for the statutory audit of the accounts in force between Credito Valtellinese SpA and EY SpA and on the assignment of the statutory audit of the accounts – under Article 13, paragraph 1, and Article 17, paragraph 1, of Italian Legislative Decree no. 39 of 27 January 2010 as amended respectively by Articles 16 and 18 of Italian Legislative Decree no. 135 of 17 July 2016, Article 16 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 – for the 2021-2029 period and approval of the related fee;
- Opinion on the remuneration proposed by the Remuneration Committee under Article 2389, paragraph 3, of the Italian Civil Code, for directors vested with special functions and on the allowances due to the members of the Board Committees;
- Considerations of the Body engaged in control functions on the "Report on Important Operational Functions Outsourced from outside the Group";
- Considerations of the Body engaged in control functions on the "Report of the Risk Management Function Holder on investment services for 2021";
- Considerations of the Body engaged in control functions on the "Report of the Internal Audit Function Holder on investment services for 2021";
- Considerations of the Body engaged in control functions on the "Report of the Compliance Function Holder on investment services for 2021";
- Considerations of the Body engaged in control functions on the "Annual report of the

Validation Unit on the internal rating system for 2021";

- Considerations on the 2021 ICAAP-ILAAP Reports;
- Considerations on the 2021 Recovery Plan;
- Opinion of the Board of Auditors on the adoption by Creval of the "Regulation on transactions with associated persons" in force within the other entities of the Group;
- Opinion on the remuneration proposed for the Independent Director acting as the point of contract for the ACIC, under Article 2389, paragraph 3, of the Italian Civil Code.

Claims filed under Article 2408 paragraph 1 of the Italian Civil Code, petitions and complaints

In 2021 the Board of Auditors did not receive any claims under Article 2408,paragraph 1, of the Italian Civil Code In 2021 the Bank received a whistleblowing report from an employee, which was appropriately investigated by the relevant structures and no evidence of any grounds for the reported wrongdoing was found.

Complaints lodged by customers are managed by a specific service (Group Complaints Service) which is part of the Legal & Regulatory Affairs Division. The total number of complaints received by the Bank in 2021 from Customers was 931 claiming a total amount of Euro 4,478,676.61 and total expenses of Euro 42,469.00. The number of complaints decreased vs. 2020 by over 14%, claims also materially decreased (-61%) while expenses increased (+180%). In this regard, worth noting is the increase in complaints concerning phishing and the high number of complaints concerning the operation of branches (queues, shorter opening hours, rude employees, difficulties in contacting branches by phone). As in 2020, the Bank received many complaints concerning the alleged unfairness of reports to the Central Credit Register and to credit information provider CRIF or concerning the restructuring/revocation of credit lines. The situation of complaints was examined on quarterly basis until the Risk Committee was in operation, whose meetings were attended by the members of the Board of Auditors and, afterwards, through constant informal interaction with the relevant structure. From the examination of complaints, non problems were found concerning specific products and/or services.

Relations with Supervisory Authorities AGCM (the Italian Competition Authority)

On 30 November 2021, the Italian Competition Authority (AGCM) started preliminary investigations on Creval "*concerning the Bank operations with customers qualifying as consumers and/or micro-enterprises within the transfer of 110% tax credits (the so-called Superbonus), authorizing an on-site audit by the Italian Finance Police (Guardia di Finanza) under Article 27, paragraphs 2 and 3, of the Italian Consumer Protection Code at the Bank's registered office in Sondrio*". As at the date of preparation of this report the preliminary investigation proceeding was still underway and concerns a matter on which, in 2021, the Control Body performed various audits and gave specific recommendations to the Bank, the implementation of which was verified by the Board of Auditors, concerning precisely the aspects being investigated by the AGCM.

Bank of Italy

As to its relations with the Bank of Italy, on 22 January 2021 Creval underwent an audit conducted by the Italian national competent Authority on compliance with the Supervisory regulations and guidelines concerning transparency and fairness in transactions and services provided to Customers. The Board of Auditors monitored the support provided to the Bank of Italy during the audit by the corporate structures involved, as well as prompt implementation of the remedial and improvement actions – some of which were implemented while the audit was still underway – in accordance with the time schedule that the Bank submitted to the Supervisory Authority.

Consob

The Bank's relations and interaction with Consob were quite intensive in the PTO period, both through the Board of Directors and the Board of Auditors. They especially concerned compliance with the Italian Consolidated Law on Finance as regards the *passivity rule*, and with the principles of transparency and fairness laid down in Article 41, paragraph 1 and Article 42, paragraph 1 of CONSOB Issuer Regulation respectively.

Supervision of compliance with the principles of proper management and of transactions with subsidiaries and other related parties

Within its activities to supervise compliance with the principles of proper management – including compliance with the obligation laid down in Article 150 of the Italian Consolidated Law on Finance– the Board of Auditors regularly obtained information on the activities they respectively performed from the Directors, the Chief Executive Officer (hereinafter also "CEO", until 18 June 2021) and from the General Manager (hereinafter also "GM", from 18 June 2021), from the structures engaged in control functions, from the *management* and from the Independent Auditor, as well as on *operazioni di maggior rilievo,* i.e. the most material transaction in profit or loss, cash flow and financial terms carried out by the Company. It is tobe noted that, after the Bank became part of the CAI Group, an integration process started – discontinuing the implementation of the 2019-2023 Business Plan, which had been designed on a stand-alone basis – in accordance with the Group new guidance based on the merger by absorption of Creval into CAI. Creval merger by absorption was authorized by the ECB on 15December 2021. The merger plan was filed with the Business Register of Sondrio on 23 December 2021.

Creval integration into CAI also entailed Creval participation, alongside CAI and FriulAdria, in a material derisking project – which had already been represented by the Parent Company to the Supervisory Authority within the Business Plan submitted for Creval acquisition, aimed at further improving the quality of the CAI. Group's assets. To this end, in 2021, the Bank purchased back the remaining loans it had sold to Quadrivio SME 2018 Srl on 10 July 2018.

Furthermore, a material transaction carried out in 2021 consisted in the transfer of Creval lease portfolio to Crédit Agricole Leasing Italia Srl ("Calit"), the leasing specialist entity of the CAI Group, through a partial demerger of Creval and the acquisition of its leasing business unit by Calit. With said transaction, Creval lease stock was transferred to Calit, consistently with the adopted business logics and with the strategic and efficiency-enhancement objectives pursued by the Group, as well as for the protection of Creval Customers.

This Board held regular meetings with the Manager in charge of the preparation of corporate accounting documents (hereinafter also the "Manager in charge" or "MiC") and with the holders of internal control functions: the Internal Audit Department, the Risk Management and Controls Department, the Compliance Department and the Anti-money-laundering Division. Hearings with the Bank Management were held, information was exchanged with the Control Bodies of the subsidiaries and of the Parent Company under Article 151, paragraph 1 and 2, of Italian Legislative Decree no. 58/1998 and regular meetings were held with the representatives of the independent audit firm to exchange relevant data and information for the performance of the respective duties, in accordance with Article 150, paragraph 3, of the Italian Consolidated Law on Finance.

Based on information acquired and on the available reporting flows, this Board supervised compliance with the applicable legislation and regulations, with the Articles of Association and with the rules issued by the competent Supervisory Authorities (the Bank of Italy, the European Central Bank, Consob and IVASS) the can rule out that they are blatantly imprudent, reckless, in conflict of interest or conflicting with the resolutions adopted by the General Meeting of Shareholders or fit to jeopardize the integrity of the Bank's equity.

Having received and examined the Management Report, the information produced by the Board of Directors, by the Chief Executive Officer, by the *Organismo di Vigilanza* under Italian Legislative Decree no. 231/2001, and based on the outcomes of its supervisory activities, this Board of Auditors can reasonably rule out also that any atypical and/or unusual transactions were carried out with third parties, with entities of the CAI Group or with related parties and associated persons.

With specific regard to transactions with related parties, this Board regularly receives the periodic reporting flows about any transactions with related parties and associated persons and about control on the performance of exposures to associated persons; where appropriate, this Board requested further or more specific information.

This Board represents that in 2021 the Bank first updated its "Procedures for transactions with related parties and connected persons" in order to transpose the amendments to Consob Regulations on Transactions with Related Parties into its internal normative instruments. After Creval joined the CAI Group, several initiatives started, consistently both with the objectives of enhancing the efficiency of and rationalizing operations and with the objective of harmonizing the internal normative instruments and procedures, including the adoptionby Creval of the "Regulation on transactions with associated persons" in force foe the other entities of the CAI Group.

As regards transactions with related parties, a disclosure that this Board deems accurate and exhaustive is given in Part H of the Note to the separate financial statements in paragraph "Transactions with related parties".

As far as this Board knows, said transactions were carried out in the Bank's interest and no remarks on their consistency are to be made, as they were part of Creval ordinary course of business or consistent with the strategic scheme of the CAI Group. This Board of Auditors acknowledges that it was provided with appropriate information on the transactions made with related parties and/or associated persons, in compliance with the applicable rules issued by Consob and by the Bank of Italy.

The Board of Auditors testifies that the transactions under Article 136 of the Italian Consolidated Law on Banking were unanimously approved by the Board of Directors and had obtained the favourable opinion of all the members of the Board of Auditors as regards the special rules to be followed under the applicable legislation and regulations.

The Board of Auditors supervised the appropriateness of the directions given by the Bank to its subsidiaries, verifying the effectiveness of the exchange of information and of the reporting flows between them.

Supervision of the statutory audit of the account and independence of the appointed audit firm

In accordance with the Italian Consolidated Law on the Statutory Audit of Accounts (Article 19 of Italian Legislative Decree no. 39/2010 as amended by Italian Legislative Decree 135/2016) the Board of Auditors (identified by the aforementioned consolidated law as the "Committee for Internal Control and Statutory Audit of the Accounts") is responsible for (i) informing the Management Body of the audited entity of the outcome of the statutory audit of the accounts and provide said Body with the additional report under Article 11 of Regulation (EU) 537/2014 (hereinafter also "PIE Regulation"), and with any considerations,
(ii) for monitoring the statutory audit of the annual separate and consolidated financial statements;
(iii) for verifying and monitoring the independence of the statutory auditors or of the audit firm appointed for the statutory audit of the accounts in accordance with Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of the aforementioned Legislative Decree and with Article. 6 of thePIE Regulation, especially as regards the provision of non-audit services to the audited entity,in compliance with Article 5 of the PIE Regulation (iv) for the procedure to select the statutory auditors or the independent audit firms to be appointed for the statutory audit of the accounts and to recommend the ones to be appointed in accordance with Article 16 of the PIE Regulation.

In that scope of supervision, it is pointed out that, with the approval of the annual report and financial statements as at 31 December 2020, the assignment of the statutory audit of the accounts for the 2012-2020 nine-year period given by Creval to independent audit firm KPMG SpA (hereinafter also "KPMG") expired. In 2019, under the oversight of the Committee for Internal Control and Statutory Audit of the Accounts, Creval had completed the procedure to select the new audit firm to be appointed for the statutory audit of the accounts for the 2021-2029 period. On 24 April 2020, taking into account the outcomes of the assessment procedure and the recommendation given by the Board of Auditors, the General Meeting of Shareholders had appointed EY SpA for the statutory audit of its accounts for the aforementioned period.

However, following the PTO, CAI, in its capacity as the entity exercising control under Article 2359 of the Italian Civil Code, in agreement with Creval Board of Directors within the process monitored by this Board of Auditors, which, in its turn, interacted with the Board of of submitting a proposal to the General Meeting of Shareholders of Creval and of its subsidiaries for their approval to assign the statutory audit of the accounts to the present statutory auditor of CAI, deeming that choice consistent with the pursued efficiency and rationalization of the statutory audit, all the more so considering the merger by absorption of Creval into CAI for full corporate integration.

As, in case of consensual termination – which was our case after the talks between EY and Creval – within change of control of a PIE and its becoming part of a new group, the applicable legislation does not expressly provide for any exception to the obligation yto hold a competitive procedure and to its obligation to issue a reasoned recommendation, the Committee for Internal Control and Statutory Audit of the Accounts supervised compliance with the applicable legislation, taking into account that:

- On 15 October 2020, in its capacity as the entity exercising control under Article 2359 of the Italian Civil Code, the new Parent Company started a selection procedure for the new assignment of the statutory audit of the accounts of all the entities of the Crédit Agricole Italia Group, receiving specific authorization from the Boards of Auditors of its subsidiaries to conduct the assessment activities preliminary to the selection procedure, requesting the bidder firms for specific and separate quotation for each company of the CAI Group;
- The aforementioned procedure of the CAI Group specifies that, as they are part of an international group, the Companies of the CAI Group shall identify the audit firm to be assigned the statutory audit of their accounts in compliance also with the instructions given by the Parent Company Crédit Agricole SA (hereinafter also “CASA”), intended to ensure consistency of the audit of the accounts system within the CASA Group at an international level, which is based on two audit firms;
- The Committee for Internal Control and Statutory Audit of the Accounts of the controlled PIE – specifically of Creval, although it became part of the perimeter after the completion of the CAI Group competitive procedure – shall perform its task of steering and guiding the procedure for the selection of the statutory auditor, taking into account also the instructions and directions given by the Parent Company and the specific situation in which said recommendation is given.

At the completion of the above-reported activities, Creval Board of Auditors conducted the appropriate analyses taking into account also that the bid received on 14 May 2021 from PriceWaterhouseCoopers SpA (hereinafter also “PwC”) – which was obviously a new one and different from the one submitted in 2019 within the competitive procedure held by Creval in its capacity as the Group Parent Company – falls within the wider proposal madeto the Crédit Agricole Italia Group as a sort of supplement to it.

Therefore, considering that Creval had become part of the Crédit Agricole Group, the Board of Auditors issued its reasoned recommendation to the General Meeting of Creval Shareholders, which on 18 June 2021, assigned the statutory audit of the accounts to PwC.

Furthermore, this Board also represents that, considering the discontinuity generated by the PTO and the consensual termination of the contract between Creval and EY, the interim financial statements for Q1 2021 were audited, on a voluntary basis, by KPMG.

In that scope, in 2021 and regarding the 2021 accounts up to the date of this report, the Board of Auditors currently in office conducted a process for constant monitoring of the activities performed by the independent auditors, with whom it held regular meetings, both concerning the quarterly financial statements and during the audit, in order acquire relevant information for the analysis of the work performed by the audit firm. Specifically, on 3 May 2021 the Board of Auditors had a meeting with KPMG about the progress in the voluntary audit activities on the figures as at 31 March 2021 and meetings with PwC on 13 July and 1 December 2021 and on 29 March 2022 to obtain updates on the audit activities underway on the financial statements as at 30 June and 31 December 2021, respectively.

Reporting to the Management Body on the outcomes of the statutory audit of the accounts and on the additional Report under Article 11 of the PIE Regulation

As regards the independent audit firm, the Board of Auditors represents that on today's date PwC issued its Additional Report under Article 11 of the PIE Regulation, which does not state any material shortcomings in the internal control system applying to financial reporting and/or in the accounting system.

Supervision on the statutory audit of annual accounts and on the consolidated financial statements

- The accounts were audited in accordance with the applicable legislation by PwC, the audit firm that was appointed by the General Meeting of Shareholders on 18 June 2021 asthe statutory auditors of the accounts for FYs 2021-2029;
- The Board of Auditors held regular meetings with the audit firm and PwC did not inform this Board, at the regular meetings held or in its reports, of any remarks or findings of irregularities, problems and/or material inadequacy or material facts to be reported concerning the audit, or any material shortcomings affecting the integrity of theinternal control system with specific regard to the financial reporting process;
- On today’s date PwC issued its report containing its opinion on the separate and consolidated financial statements, which were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union and with the measures implementing Article 9 of Italian Legislative Decree no. 38/05 and Article 43 of Italian Legislative Decree no. 136/15. Said report contains no remarks and no emphasis of matter.

Independence of the audit firm, especially as regards the provision of audit services

Having regard to the annual confirmation of independence under Article 17, paragraph 9, letter a) of Italian Legislative Decree 39/2010, the Board of Auditors represents that it received said written confirmation from the independent audit firm on 30 March 2022, in accordance with Article 11 of the PIE Regulation.

Specifically, the audit firm represented that, in accordance with the regulatory and professional standards that govern auditing, in the period from 1 January 2021 to today's date, it was fully compliant with the principles of ethics under Articles 9 and 9-*bis* of Italian Legislative Decree 39/2010 and no situations occurred which may compromise its independence under Articles 10 and 17 of Italian Legislative Decree 39/2010 and Articles 4 and 5 of the PIE Regulation.

The Board of Auditors supervised the independence of the audit firm in charge of the audit of accounts at the relevant time d and specifically it received period evidence of any non- audit services to be assigned (or assigned under specific regulations) to the statutory auditor, also coordinating with the Board of Auditors of the Parent Company for the assessment of any requests for the assignment of non-audit services after Creval became part of the CAI Group.

As stated in Creval report and financial statements, in 2021 the three audit firms involved, also formally only or on a voluntary basis, in the audit of the accounts, performed the activities outlined below:

Independent Audit Firm *Figures in Euro/000*	**Audit of the accounts**	**Certificati on services**	**Other servic es**	**Total**
PWC	480	39	20	539
EY	0	0	6	6
KPMG	0	0	173	173
Total	**480**	**39**	**199**	**718**

The Board of Auditors deems that the above-reported fees were adequate to the size, complexity and features of the tasks performed and, as regards non-audit services, that in 2021 they did not affect the statutory auditor' independence, as assessed in the scope of the Bank and its subsidiaries only. Nevertheless, as the statutory auditor's independence must be assessed also at the level of the CAI Group as a whole, Creval Board of Auditors communicated the outcomes of its assessment to the Parent Company's Board of Auditors, whose report should be seen for the assessments it is responsible for.

Supervisory activities on the adequacy of the administration-accounting system

Having again regard to Article 19 of Italian Legislative Decree no. 39/2010 as amended by Italian Legislative Decree no. 135/2016, in monitoring the financial reporting process the Board of Auditors interacted with the Risk Committee set up within the Board of Directors, until it remained in office and afterwards with the Independent Director vested with the function of point of contact for the Audit Committee for Internal Control of CAI in order to coordinate the respective scopes of responsibilities and to prevent any overlapping activities. To that effect, the Board of Auditors, where possible with all its members, participated in the activities of the Risk Committee, focusing especially on the matters governed by Italian Legislative Decree no. 39/2010 and on the supervisory matters mentioned above, ensuring the effectiveness of reporting flows and facilitating coordination and exchange between the two bodies.

Specific information on the various scope of supervision is given below,

Supervision of the financial reporting process

The Board of Auditors verified that rules and procedures were in force governing the preparation and presentation of financial information and examined, with the help of the Manager in charge of the preparation of corporate accounting documents, the procedures for the preparation of the separate and consolidated financial statements of the Bank, as well as of the other accounting documents to be periodically produced. Furthermore, the Board of Auditors obtained evidence of the process whereby the Manager in charge of the preparation of corporate accounting documents and the Chairman of the Board of Directors, Mr. Filippo Zabban, can issue the certification required under Article 154-*bis* of the Italian Consolidated Law on Finance.

The Board of Auditors was informed that the Manager in charge of the preparation ofcorporate accounting documents is responsible for the design and implementation of the administrative/accounting procedures followed to prepare the financial statements and any other financial communication and, jointly with the Chairman of the Board of Directors, certifies their suitability and actual implementation for the preparation of the annual report and financial statements and the half-year financial report.

The Board of Auditors represents that, at their regular meetings, the Manager in Charge did not report any material shortcomings in the operational and control processes, which could bias the warranted adequacy and actual application of the administrative-accounting procedures, in order to given a true and correct income, financial and cash flow representation of operations, in compliance with the international accounting standards/international financial reporting standards.

The Bank's separate financial statements and consolidated financial statements have been prepared in compliance with the accounting principles in force for FY 2021 adopted by Credito Valtellinese in line with those adopted by the Parent Company, which were examined by the Internal Control and Audit Committee of the Parent Company on 11 March 2022. As mentioned, they include
(i) the changes made to the bases of measurement, to harmonize them with those used by the Parent Company, (ii) the adoption of the new NPE Policy and (iii) the effects of the activities in preparation for the integration,

In accordance with the applicable supervisory regulations, the financial information shall be presented to the public on the Bank's website in compliance with the terms laid down for the publication of reports and financial statements.

Supervisory activities on the adequacy of the internal control and risk management governance system

Internal controls system

The Group's internal controls system is based on:

- Bodies and structures engaged in control functions, specifically involving, in accordance with their respective scopes of responsibility, the Board of Directors, the Risk Committee until its dissolution and, as of 16 July 2021, the Independent Director vested with the function of being the point of contact for and liaising with the Audit Committee for Internal Control of the Parent Company, the Director in charge of the internal controls andrisk management system, the Board of Auditors and the other corporate structures vested with relevant functions
- Reporting flows and methods for coordinating the various roles and structures engaged in internal controls and risk management.

Creval internal controls system is designed comprising three levels and is outlined below:

- First-level controls (also "line controls"), carried out directly by the operating structures, the back-office structures and through automatic features of the information of the information systems of all the members of the Group;
- Second-level controls: performed by the structure vested with risk management functions (through controls on the correct implementation of the risk management and validation process), the structure engaged in compliance functions (through controls on compliance of the Bank operations with the applicable legislation and regulations) and by the structure vested with the anti-money-laundering function;
- Third-level controls performed by the Internal Audit structure through activities aimed at detecting any breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, operation (in terms of efficiency and effectiveness) and reliability of the internal controls system and of the information system.

Having regard to the internal controls system, the Board of Auditors performed its in-depth assessments taking into account both some points of attention emerged from the talks with the Supervisory Authority, from the annual reports of the Control Function Holders andfrom the outcome of the annual audits carried out by the Internal Audit Department, and specific attention points resulting from the pandemic persistence. These elements were addressed with both of remedy plans started in 2021 and of specific projects, the implementation of which was monitored by the Board of Auditors.

Furthermore, in 2021, the Board of Auditors monitored the implementation of the improvement actions identified within the assessment on the internal controls system, which was performed by the BDO consultant; the outcomes of said assessment, which were reported to the BoD on 5 November 2020, concluded that there were no material non- compliance issues.

Until they were in office, the Board of Directors and the Risk Committee, based also on the outcomes of the assessment by BDO, continued to further strengthen the overall system of controls.

Having said that, the activities performed by each structure engaged in internal controls are outlined here below, acknowledging the exchange of information between the Board of Auditors and said structures and the verifications made by the Control Body aimed at assessing proper operation of the system as a whole and the effectiveness of the structures and roles involved in the controls system, as well as their appropriate coordination

Compliance and Anti-money-laundering

Besides its constant control activity, which continued as in the past, the Compliance Department was involved in the audits carried out by the Bank of Italy on transparency, which ended with an audit report issued in May 2021 followed by talks.

In that scope, the Board of Auditors took action, as early as during the audit, to i) monitor the Bank's initiatives based also on the informal preliminary feedbacks from the audit team and ii) receive, after the issuance of the audit report, constant updates from the work team responsible for meeting the requests made by the Bank of Italy.

Then this Board monitored the regular implementation of the action plan submitted to the Supervisory Authority as the Bank's response, as well as the following in-depth assessments asked for by the Bank of Italy on specific matters (unilateral measure concerning home banking services, replacement of "Bancomat internazionale VPAY" debit cards, credit line remuneration and additional charges on top of the all-inclusive fee/commission, method for representing the overall effective annual rate (TAEG) within origination of consumer loans, inconsistencies affecting the precontractual phase of residential property loans to consumers, restitution) which were carried out in coordination with the Compliance Department of the Parent Company.

Besides the ordinary controls it constantly performed in accordance with the related plan, the Compliance Department worked on the implementation of some organizational and process-related improvement actions that emerged from the assessment carried out by BDO, was involved in the audit conducted by the Bank of Italy on transparency in order to strengthen first-level controls and to review the approach of the second-level function, as well as to reorganize the approach of the Compliance Department in planning its controls. In that scope, for example, specific key risk indicators were formally implemented, the first half-year report on the Bank compliance with the applicable legislation on transparency was issued an d the internal normative instruments of banking transparency were updated. Furthermore, the service agreement between the Compliance and Internal Audit Departments was formalized, in order to ensure that controls on the most critical matters be more specific and deeper. Thanks to said service agreement, the Compliance Department commissioned audits more focused on risk, in order to make some controls more robust and perform specific audits on transparency from a whole process perspective or considering the single phases comprised in said process.

The Board of Auditors was informed of the audits carried out by the Compliance Department and of their favourable outcome, which was issued on 17 January 2022, while taking into account that some improvement scopes in the compliance function can be solved only after the appropriate assessments following the integration into the Parent Company.

In 2021 anti-money-laundering was again one of the main scopes the Board of Auditors focused on and the Board constantly interacted with the Deputy General Manager in charge of Compliance and Anti-money-laundering and with the Head of the Anti-money-laundering Division, in order to be constantly informed about the situation of the related controls, also carrying out specific in-depth assessments.

Specifically, in 2021 the Board of Auditors carried out in-depth assessments with the Anti-money-laundering Division on the risks of fraudulent conducts associated with *superbonus*-related products, as well as on the consequences that may arise under the criminal law for unlawful use of tax credits, based also on the communication given by the Financial Intelligence Unit, which, in its turn, followed a communication released in April 2020, whereby the Bank of Italy draw attention to some risks that may result from abuses of the tax deductions within the so-called "superbonus" measure.

During the assessment on the internal controls system, some improvement areas were found to address which the Bank prepared a remediation plan. This Board can testify that the Bank took prompt action in 2021 (strengthening first- and second-level controls on any suspicious transactions, ensuring full operation of the TXT application and the shift to Gianos 4, aligning the Anti-money-laundering function to the best practices in terms on technological tools).

Specifically, the Board of Auditors continued to closely monitor the activities underway aimed at recovering any due diligence documents that had expired and/or were missing (known as formerly exempt).

The Board of Auditors acknowledged the audits performed with a favourable outcome by the Internal Audit Department on Gianos 3D - Inattesi, issued on 23 December 2021, on the Suspicious Transaction Reporting Service, issued on 27 January 2022, on the Anti-money-laundering Structure, issued on 9 February 2022, and on first-level controls performed by the structured engaged in second-level functions.

Risk management

As part of its activities of monitoring the completeness, adequacy, functionality and reliability of risk measurement systems, the Board of Statutory Auditors carried out several audits of the risk measurement process with the Chief Risk Officer.

The Board of Auditors regularly analyzed the *tableau de bord* which sets out the company's risk parameters and related monitoring with reference to the Risk Appetite Framework (hereinafter also referred to as "RAF"), periodic reporting generally on a yearly and in some cases even half-yearly basis (namely RAF, the Recovery Plan and the ICAAP and ILAAP reports).

After Creval joined the CAI Group, the audits performed by this Board focused also on the main activities carried out, by the CRO Area along with the ordinary ones already part on the organizational and process arrangement in force before its entry into the CAI Group. Specifically, besides being involved in the due diligence process, this Board was informed and updated about the activities concerning the AIRB models and aimed at their validation also in the CAI Group, which enabled to obtain the ECB authorization of the so-called *Return To Compliance (RTC) Plan,* which schedules for 2021 the development and application for validation of the CAI-CREVAL *combined* new models to be used for retail and corporate banking portfolios. Furthermore, at the end of July 2021, the ECB gave its consent to keeping Creval models for supervisory reporting until the completion of the RTC *Plan* (which will end by 2023).

Again in the scope of alignment with the Parent Company, this Board monitored the engagement of the Financial and Operational Risk Division in the activities preliminary to the set of controls in accordance with the Parent Company's procedures, and contributed to the design of a branch synthetic indicator (operational losses/net banking income) in order to better define the risk scenarios regarding the network in the *interim management* period. This Board also acknowledges that the CRO Area reporting formats were reviewed in order to harmonize them as much as possible with those of the Parent Company, and the process to harmonize the performance monitoring activities and *single file review* activities for alignment with the Parent Company standard; said activities were so successful that alignment with CAI was achieved in the reporting period. Moreover, this Board monitored the provision of *risk opinions* to the Risk Committee of the loan applications submitted to the Committee for its resolution; this activity, which was not carried out before Creval acquisition, started in alignment with the processes of the Parent Company and enabled Creval to comply with the EBA Guidelines issued in June 2021.

Lastly, this Board monitored, on a quarterly basis, the RAF actuals and, having regard to the data as at 31 December 2021, a document was prepared together with the CRO Area for two purposes:: (i) to report actuals, i.e. the accounting amounts as at 31 December 2021, including the effects of the *due diligence* and (ii) to report data calculated excluding the *due diligence* effects. This exercise showed that, excluding the due diligence effects, the Bank was compliant with all the risk appetite limits laid down in the 2021 RAF. The breach of the thresholds essentially resulted from the understanding of the elements emerged and considered following the *due diligence*. Specifically, the capital ratios, also having regard to actuals reporting the effects of the *due diligence,* are still within the *risk appetite,* thus giving evidence that the Bank's capital was more than adequate to the risks that it would have faced.

As some *risk tolerance* levels were breached, due to the activities carried out by the Parent Company in preparation for the merger, this Board was informed by the CRO Area that the remediation plan addressing said breaches will be implemented within the 2022 RAF of the CAI Group, which will include Creval, a stand-alone entity until its merger but subject to the management and coordination exercised by CAI.

Internal Audit

In 2021 the Board of Auditors received reporting from the Internal Audit Department on 325 ordinary audits and 22 extraordinary audits, 4 of which under Measure no. 192/2011 of the Italian Data Protection Authority and concerning personal data protection; this Board attended 5 ordinary audits at branches.

In 2021, the Board of Auditors held specific in-depth assessments on follow-up outcomes, based on the periodic reporting flow implemented for this purpose with the Internal Audit Department.

In the year, some monothematic focus points were held in order to support the Bank in remedying the highest possible number of irregularities, compatibly with the time left before its merger, starting from the scopes having larger potential risks, such as:

- The remediation activities on one of the Bank's main branches, which had been initially requested by the Board of Auditors in 2020, but was initially found faulty. In 2021, interacting with the Internal Audit Department and thanks to the actions taken by General Manager Ghisellini, this Board obtained the formalization of a remediation plan,which was delivered and started at the end of October 2021 and whose activities are underway in accordance with the proposed schedule;
- An *incident*, caused by the external provider, which determined procedural malfunctioning in investments then promptly solved as soon as the it was detected by the Compliance Department. In 2021 and up to the date of this Report, the Board of Auditors monitored the design by the Bank of a specific remedial action first, at then the progress in the planned initiatives, which, at present, are going on as scheduled;
- The monitoring on the recovery of some MiFID-related precontractual documents aimed at encouraging the network account managers and/or private bankers to engage in a massive survey – and where the case remediation – activity on the required documents, in order to ensure full compliance of the positions upon migration.

The Board of Auditors analyzed the Internal Audit control activity plan for the first four months of 2022 ("1Q22 Audit Plan") , which was prepared in agreement with the Parent Company and to be in force until the *conversion weekend*. This Board verified that said plan ensured coverage of the mandatory process audits on Critical or Important Functions (CIF) that will continued in force (e.g., the vaults, which will continue in operation also after the migration) as well as compliance with risk-driven criteria to determine other audits.

* * *

Based on the deeds and facts assessed in its supervisory activities, the Board of Auditors believes that no situations exists that may raise doubts on the adequacy of the internal controls system as a whole. Considering all the information it is aware of, the Board of Auditors acknowledges that the Bank proactively continued with the process to strengthen control of risks, further improving its internal controls system; nevertheless, it is to be noted that some areas in need of improvement remain, which will have to be addressed partly during the merger into CAI and partly during the following business integration, both through ensuring the convergence of processes and procedures to the Parent Company's model, and through the upgrading of said model as planned by the Parent Company's structures engaged in control functions in order to make it suitable for the new size that CAI will have after the merger.

System of governance and control of risks

Within its activities of verification of the completeness, adequacy, proper operation and reliability of the risk measurement systems, in 2021 the Board of Auditors continued to analyze the processes for the identification, measurement and monitoring of operational risks.

Moreover, having regard to risk governance and control, this Board carried out the planned audits on the reports covering that matter, participating in the meetings of the Risk Committee (up to the last meeting before the resolution adopted by the new Board of Directors not to set up said Committee, which was held on 27 May 2022.) and in the meetings of the Board of Directors at which the resolutions on those processes were discussed and adopted, and specifically i) quarterly updated of the RAF *tableau de bord* , ii) update of the RAF limits of the Capital Area consistently with the new Business plan 2019- 2023, iii) list of the material risks relevant for the RAF, ICAAP/ILAAP and Recovery Plan for 2021 and RAF 2021 Proposal, and iv) ICAAP/ILAAP 2021 Reports. Specifically, the Board of Auditors monitored:

- Compliance with the provisions concerning the *Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process* ("ICAAP/ILAAP"), examining the overall reporting process. The Board verified that the 2021 Report was compliant in form with the layout given in. Bank of Italy Circular 285/2013, Part One, TitleIII, Chapter 1, Section II, Annex D and that, in substance, it had been prepared in compliance with the instructions given by the Bank of Italy, also in its communication "ICAAP/ILAAP requirements" of 19 April 2021. The Report sets out the results of the capital adequacy assessment process and the liquidity management and governance system, in both the baseline and adverse scenarios, based on actual data at 31 December 2020 and forecast figures (budget and business plan) for the two- year period 2021-2022-. Based on the outcomes of its audits, the Board of Auditors expressed a favourable opinion on the 2021 ICAAP/ILAAP Reports, noting that the ICAAP/ILAAP exercise was adequate and compliant with the applicable legislation and regulations. The Board of Auditors also took note of the "*favourable opinion on the regulatory and implementation framework of the 2021 ICAAP- ILAAP exercise and the related information document for the Bank of Italy*" expressed by the Internal Audit Department in its Audit Report "Audit on the 2021 ICAAP-

ILAAP exercise and related reporting". The same Report also reads that "*the improvements made to the overall risk management processes, in line with the provisions of the 2019 ICAAP-ILAAP Report, show the constant attention paid to the matter by the corporate bodies and functions with a view to continuously refining the existing control units*";

- On the process for the updating of the Recovery Plan ("RP"), with special focus on key elements and on the application of stress and reverse stress scenarios and on the setting out of recovery options, verifying their potential effectiveness in restoring financial and cash flow balance. This Board verified that the 2021 was updated bearing in mind also the communications received from the Bank of Italy on this matter. The Board of Auditors also noted the "*favourable opinion on the adequacy and compliance with the applicable legislation of the 2021 Recovery Plan and Process of the Credito Valtellinese Group*", deeming that the processes and contents of the 2021 Recovery Plan were adequate and compliant with the applicable legislation;
- On the completeness, adequacy, proper operation and reliability of the RAF verifying the actual figures of the ratios and indicators vs. the 2021 RAF;
- On the management process of the various categories of risk existing at Group level: this process was assessed by the Risks and Control Department and audited by the Internal Audit, which expressed a favourable opinion noting the substantial adequacy of the assessment framework adopted with respect to the objectives pursued by the supervisory provisions..

Given the persistence of the pandemic crisis, the Board of Auditors continued to monitor the management and control of the risks specifically associated with that extraordinary situation, receiving weekly updates on the methods to carry out operations and on the protocolsdeployed by the Bank, which were then aligned to CAI's stricter ones in H2 2021. Specifically,this Board held deep-dive session as reported below:

- Having regard to loans, the deep-dive session was held with the Loans Area, the Tax Advisory Service, the Anti-money-laundering Department and the Business Development Department – in their capacity as the structures engaged in loan origination and management, with different scopes of responsibility – on the risks of frauds associated with the *superbonus* tax incentive and on the criminal law consequences that may arise for unlawful use of tax credits.
- Having regard to the ITC risk, a *follow-up* was performed on the progress in the project for the infrastructural technological review of data centers. The solution identified was implemented during 2020 with some areas finalised during the first months of 2021, and includes: two new housing websites, technological renewal through new hardware purchased from Creval, a new disaster recovery mode and 24/7 technological monitoring, with a specialised external partner for monitoring and internal specialists for interventions, supported by automation

systems.

Lastly, with specific reference to the impacts of COVID-19, the Board monitored the activities and analyses carried out by the Bank's internal working group to express, at the request of the Bank of Italy, its self-assessment of business sustainability. The analyses carried out by this Board show a development scenario based on reasonable assumptions, assuming management continuity, and supported by the growth forecasts of specialised operators, market data and the trend recorded by the Bank over the last two years. It is to be specified that said assessments were conducted by the Bank on a standalone basis as they were done before the PTO and, therefore, they refer to a Strategic Plan no longer in force.

Supervision of the adequacy of the organisational structure

The Bank's organizational structure was changed following its entry in the CAI Group and in order to facilitate the integration process. To that end, a special unit was set up (Integration Business Unit) to which CAI posted some of its resources having specific experience in the areas that showed the largest functional and operational gaps between CAI's and Creval's respective models and processes, in order to contribute to identifying shared integration solutions.

Moreover, as of H2 2021, the Bank started a process for progressive alignment with the CAI Group's internal normative instruments in order to harmonise the material operational aspects before the *conversion weekend*. Concomitantly with its entry in the CAI Group, the Bank formally adopted (i) CAI's Charter of Ethics, Code of Ethics and Code of Conduct, starting, on the one hand, to disseminate a culture of belonging based on ethical and behavioural values to be shared by all the Group's entities, and (ii) the Group Regulation on the Group Committees, the Group policy on *fit&proper* requirements and conflicts of interest, and, on the other hand, harmonizing the governance rules and guiding principles underlying a model that is appropriately balanced between the need to ensure coordinated and single effective management of the Group and respect for the decision-making rights of the subsidiaries.

In the following months, compatibly with its actual capacity not only of transposition but also of implementation, the Bank aligned its internal normative instruments to those of CAI concerning the measurement of non-performing loans, the policy on IFRS9 business model and customer segmentation in accordance with CAI service model (to be in operation as of February 2022). The above-reported actions aimed at harmonizing the operating and distribution model of the Bank with that of the Parent Company, applying the same risk management policies throughout the Group, especially the one on credit risk.

Moreover, consistently with the Parent Company's strategic choices regarding the network, the Bank contributed to CAI's plant aimed at geographical optimization identifying the overlapping of branches generated by the integration, while keeping operations in its long-standing regions.

Therefore, the Board of Auditors monitored the progress in said initiatives aimed at progressive alignment with the strategic priorities identified by the Parent Company.

This alignment process, which, in some aspects, was started well before the merger, will give its full and tangible results only after the alignment of the IT systems. Until that date, the Bank has operated and will operate having to reconcile new elements old ones, which will converge only after the *conversion weekend*, a period featuring problems and risks typical of processes having such an extent, of which the Directors and the Top Management are fully aware and therefore have ensured prompt and appropriate handling.

Moreover, given the persistence of the COVID-19 pandemic and the various measures remaining in force, the Bank has kept its working from home scheme (*smartworking)* regulating return to the office in accordance with the safety protocols adopted by the Parent Company. This Board verified that the large use of smartworking schemes did not affect proper and regular operations, obtaining evidence of the IT structure's capacity to handle larger use resulting from working remotely. Said smartworking schemes are going to contribute to changing the way of doing banking business in the future, as it is at its beginning but has all the potential to rapidly become very common in the next few years.

Having again regard to organizational adequacy, it is acknowledged that the assessment carried out by BDO in 2020 analyzed the size of the CCFs, detecting the need to strengthen certain structures, in line with some observations made in recent discussions with the Supervisory Authority and with the evidence of certain audits carried out by the internal audit department. This Board verified that the internal/external personnel selection processes started by the Bank in 2020 were finalized with actual new entries, although, after becoming part of the CAI Group and considering the upcoming merger, the assessments of correct sizing of staff will have to be carried out in the new situation.

At the end of the audits carried out, in any case, no particular shortcomings or anomalies were identified here with regard to the functioning of Bodies, company functions, systems and procedures, as proved also by the stress scenario the Bank had to face in order to managethe COVID-19 health emergency. The organisation and services, both those structured within the Company and the Group and those outsourced, appear adequate and promptly fulfil the envisaged requirements both from the point of view of regulatory provisions andfor the purposes of correct, effective and efficient company management as well as replies to the Board of Auditors following requests for information made by it

Closing remarks

As detailed in this Report, the Board of Auditors verified proper operation of the internal procedures that were found to be sufficiently adequate and suitable to ensure compliance with the law, regulations and the Articles of Association. The Board of Auditors ascertained that the decision-making process takes sufficient account of the risks and effects of the management choices made and that the Company bodies have a sufficient system of information flows, also with reference to any interests of the Directors.. The organisational structure, the administrative accounting system and the external audit process have been found to be adequate and functional to the tasks they are required to perform.. It was also verified that there were no elements that would cause the internal control system's structure and the governance and risk management process to be unreliable, despite the points for improvement that the Board of Auditors reported in the performance of its duties.

Final considerations and proposals to the General Meeting of Shareholders

This Report details the control activities carried out and the actions taken by the Board of Auditors in relation to the information obtained and the supervisory activity carried out in fulfilment of its duties.

As a summary of the overall supervisory activity carried out, in relation to the audits completed at the date of publication of this Report, the Board of Statutory Auditors of Creval does not intend to exercise the right to make proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Italian Legislative Decree no. 58/1998 with regard to the financial statements and their approval as well as to matters within its competence.

Taking account of all the above, considering the contents of the opinions issued by the Independent Audit Firm and taking note of the certifications issued jointly by the Chief Executive Officer and the Manager in charge, the Board of Auditors does not believe that there are - to the extent of its remit - any elements that would prevent the approval of the financial statements of Credito Valtellinese SpA at 31 December 2021 accompanied by the Management Report and the Notes to the Financial Statements as resolved by the Board of Directors on 17 march 2022

Rome, 1 April 2022

FOR THE BOARD OF AUDITORS

Francesca Michela Maurelli (Chairwoman)

INDEPENDENT AUDITORS' REPORT

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the sole shareholder of Credito Valtellinese SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Credito Valtellinese Group (the Group), which comprise the balance sheet as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Credito Valtellinese SpA ("the Bank" or " the Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of "non-convertible" deferred tax assets	
Note to the consolidated financial statements *Part A – Accounting policies* *Part B – Information on the Consolidated Balance Sheet, section 11 of assets* *Part C – Information on the Consolidated Income Statement, section 21* As of 31 December 2021 the line item 110 b) "Deferred tax assets" includes "non-convertible" deferred tax assets (DTAs) amounting to Euro 376.9 million other than those referred to in Law no. 214/2011, the recoverability of which is ensured by the specific provisions of law, and other than those arising from prior tax losses recognised in the year; with reference to the merger by incorporation of Credito Valtellinese SpA into Crédit Agricole Italia SpA scheduled for April 2022, in accordance with the provision of Article 1, paragraphs 233 et seq. of Law no. 178 of 30 December 2020, these assets can be converted into tax credits according to a specific procedure. The directors carry out the periodic assessment of the recoverability of the non-convertible DTAs deriving from tax losses for the year and from other temporary differences, through the development of a specific estimation process (probability test) aimed at verifying, in accordance with IAS 12 "Income Taxes", the availability of sufficient future taxable income, also in light of the merger by incorporation of Credito Valtellinese SpA into the parent company Crédit Agricole Italia SpA. The assessment of the recoverability of DTAs requires the use of information, parameters and assumptions that have a high degree of professional judgement and complexity, with particular reference to the estimation of expected future taxable income.	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particularly uncertain context resulting from the Covid-19 pandemic. In particular, in order to address such key audit matter, we carried out the following main activities, also with the support of the experts of PwC network: • understanding and evaluating the process and methodology adopted by the directors to perform the probability test; • verifying the consistency of the methodology adopted with the provisions of IAS 12, taking into consideration the professional practice, as well as the communications and recommendations of the Supervisory Authorities; • assessing, also by comparison with external data, where available, the reasonableness of the main qualitative and quantitative assumptions (income flows, alternative scenarios, discount rate and growth rate); • analysing the reasonableness of the assumptions used for the preparation of the probability test, based on the applicable tax regulations; • verifying the accuracy of the mathematical calculations underlying the probability test and their correctness; • evaluating the results of the sensitivity analyses carried out by the directors on the recoverability of the DTAs when the parameters adopted change, also in light

Moreover, for the 2021 financial year, this process was even more complex considering the high level of uncertainty of the macroeconomic scenario caused by the Covid-19 pandemic.

For the reasons set out above, we considered the recoverability of the "non-convertible" deferred tax assets to be a key audit matter for our audit of the Group's consolidated financial statements as of 31 December 2021.

of the uncertainty of the current macroeconomic scenario and the conflict between Russia and Ukraine;

- verifying the completeness and adequacy of the information provided by the directors in the notes to the financial statements in accordance with the provisions of the international accounting standards and the applicable regulatory framework, as well as the communications and recommendations issued by the Supervisory Authorities.

Valuation of performing loans to customers measured at amortised cost

Notes to the consolidated financial statements
Part A – Accounting policies
Part B – Information on the Consolidated Balance Sheet, section 4 of assets
Pare C – Information on the Consolidated Income Statement, section 8
Part E – Information on risks and relative hedging policies – section 1

As of 31 December 2021, performing loans to customers amounted to Euro 12,585 million, corresponding to 72 per cent of line item "*40 b) Financial assets measured at amortised cost – loans to customers"* and to 50 per cent of total consolidated assets.

Net value adjustments to these loans recognised during the year on these loans amounted to Euro 19.7 million and represented the directors' best estimate to reflect the expected credit losses (ECL) on the loan portfolio at the balance sheet date, based on applicable accounting standards.

The estimation processes are characterised by a high degree of professional judgement and require significant assumptions, to verify the Significant Increase in Credit Risk (SICR), allocate portfolios to the different stages (Staging) and determine the assumptions and input data for the Expected Credit Loss (ECL) models.

During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we took into account the modifications and adaptations that became necessary following the continuation of the uncertain macroeconomic scenario resulting from the Covid-19 pandemic.

In order to address such key audit matter, we carried out the following main activities, also with the support of the experts of PwC network:

- analysing the adequacy of the IT environment and verifying the operational effectiveness of the relevant controls governing the IT systems and applications used by the Group for loan assessment purposes;
- understanding and evaluating the design of relevant controls in the areas of loan monitoring, classification and evaluation and verifying the operational effectiveness of such controls;
- comparative analysis of the performing portfolio and of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information;

For the year 2021, these estimation processes were affected by some methodological changes compared to the previous year. In particular, in addition to the ordinary process of updating the input data and refining the risk parameters (including the adoption of the new definition of default), the Group made, following its inclusion in the Crédit Agricole Italia Group, some post-model adjustments in order to factor in certain valuation elements, also related to the risk linked to the Covid-19 pandemic, that were not yet captured by the models used by the Group. In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted, and taking into account the reasons set out above, we considered the valuation of performing loans to customers measured at amortised cost to be a key audit matter of our audit as of 31 December 2021.	• understanding and verifying the appropriateness of the policies, procedures and models used for measuring SICR, staging allocation and determining ECL. Particular attention was paid to the counterparties that participated in and benefited from the measures to support the economy following the Covid-19 pandemic, and in particular the debt moratoria; • understanding and verifying the methods to determine the main estimation parameters used in the models for calculating the ECL and the changes and corrections introduced during the year. In particular, we verified the reasonableness of the estimates made by the directors in defining the expected macroeconomic scenarios, the PD (Probability of Default) and LGD (Loss Given Default) risk parameters, which include the adjustments made to the models (post model adjustments) and incorporate the changed risk context related to the Covid-19 pandemic and the new definition of default; • verifying the correct application of the valuation criteria defined for loans classified as performing (stage 1 and 2), the completeness and accuracy of the databases used to calculate the ECL, and the accuracy of the formulae used to calculate the PD, LGD and EAD (Exposure at Default) parameters; • verifying, on a sample basis, the reasonableness of the classification under performing loans (stage 1 and 2) on the basis of information on the debtor status and other available evidence, including external evidence; • evaluating the results of the sensitivity analysis of the ECL against the macroeconomic scenarios carried out by the directors, also in consideration of subsequent events including those related to the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the information provided by the

directors in the notes to the financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.

Valuation of non-performing loans to customers measured at amortised cost

Notes to the consolidated financial statements
Part A – Accounting policies
Part B – Information on the Consolidated Balance Sheet, section 4 of assets
Part C – Information of the Consolidated Income Statement, Section 8
Part E - Information on risks and relative hedging policies – Section 1

As of 31 December 2021, non-performing loans to customers (stage 3) showed a balance of Euro 562.3 million corresponding to 3 per cent of line item "*40 b) Financial assets measured at amortised cost – loans to customers*".

Net value adjustments to these loans recognised during the year for these loans amounted to Euro 413.5 million and include the best estimate made by the directors in order to recognise the expected losses relating to the loan portfolio at the reporting date on the basis of the applicable accounting standards, as well as the negative effects deriving from the sale transaction (the so-called "Stelvio project") of a bad loan portfolio for a gross book value of Euro 263 million, in respect of which the Group has derecognised the loan portfolio.

The estimation processes are characterised by high complexity and a high degree of professional judgement requiring the estimate of numerous variables. The use of significant assumptions is particularly relevant to the determination of expected future cash flows, their timing and the realisable value of collaterals, if any.

During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particularly uncertain context resulting from the Covid-19 pandemic.

In order to address such key audit matter, we carried out the following main activities, also with the support of the experts of PwC network:

- analysis of the adequacy of the IT environment and verification of the operational effectiveness of the relevant controls governing the IT systems and applications used by the Group for loan assessment purposes;
- understanding and evaluating the design of relevant controls in the area of loan monitoring, classification and evaluation and verifying the operational effectiveness of such controls;
- comparative analysis for each category of non-performing loans of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information;
- understanding and evaluating the valuation policies adopted by the Group, also in light of the reviews made during the year, following the Group inclusion in the Crédit Agricole Italia Group;
- verifying, on a sample basis, the reasonableness of the classification under non-performing loans, based on

For the year 2021, these estimation processes were affected by some methodological changes compared to the previous year. In particular, the valuation policies for non-performing loans were reviewed in order to align them with those of the Crédit Agricole Italia Group, which the Group joined following the conclusion of the acquisition process through a public purchase offer in April 2021. In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted and taking into account the reasons set out above, we considered the valuation of non-performing loans to customers measured at amortised cost to be a key audit matter of our audit as of 31 December 2021.	information regarding the debtor status and other available evidence, including external evidence. Specific analyses were carried out on the assumptions made with reference to the identification and quantification of future cash flows expected from recovery activities, the valuation of the guarantees covering such exposures and the estimate of recovery times; • verifying the completeness and adequacy of the information provided by the directors in the notes to the financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.

Other Matters

The consolidated financial statements of Credito Valtellinese Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2021.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15, and in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group’s ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Credito Valtellinese SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 18 June 2021, the shareholders of Credito Valtellinese SpA in general meeting engaged us to perform the statutory audit of the Bank's and consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Credito Valtellinese SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Credito Valtellinese Group as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of Credito Valtellinese SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Credito Valtellinese SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As illustrated in the report on operations, the directors of Credito Valtellinese SpA have opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 2, of Legislative Decree No. 254 of 30 December 2016.

Milan, 31 March 2022

PricewaterhouseCoopers SpA

Signed by

Raffaella Preziosi
(Partner)

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

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

Assets		31 Dec. 2021	31 Dec. 2020
10.	Cash and cash equivalents	217,170	198,002
20.	Financial assets measured at fair value through profit or loss	119,361	188,663
	a) financial assets held for trading;	423	676
	c) other financial assets mandatorily measured at fair value	118,938	187,987
30.	Financial assets measured at fair value through other comprehensive income	650,303	855,467
40.	Financial assets measured at amortized cost	22,282,896	21,178,348
	a) due from banks	4,916,412	1,530,057
	b) Loans to customers	17,366,484	19,648,291
70.	Equity investments	24,600	20,573
90.	Property, Plant and Equipment	388,963	523,472
100.	Intangible assets	1,757	18,300
110.	Tax assets	1,087,166	764,479
	a) current	94,850	101,809
	b) deferred	992,316	662,670
120.	Non-current assets held for sale and discontinued operations	469,136	11,730
130.	Other assets	142,446	122,638
Total assets		**25,383,798**	**23,881,672**

BALANCE SHEET – LIABILITIES

Liabilities and Equity		31 Dec. 2021	31 Dec. 2020
10.	Financial liabilities measured at amortized cost	23,091,419	21,415,762
	a) Due to banks	4,974,366	3,539,993
	b) Due to Customers	17,457,644	16,913,160
	c) Debt securities issued	659,409	962,609
20.	Financial liabilities held for trading	379	80
40.	Hedging derivatives	126,409	159,057
60.	Tax liabilities	6,693	1,553
	b) deferred	6,693	1,553
70.	Liabilities associated with non-current assets held for sale and discontinued operations	23,146	-
80.	Other liabilities	370,134	384,656
90.	Employee severance benefits	37,099	38,452
100.	Provisions for risks and charges	215,539	107,677
	a) commitments and guarantees given	25,009	13,140
	b) post-employment and similar obligations	1,784	1,840
	c) other provisions for risks and charges	188,746	92,697
120.	Valuation reserves	-3,652	7,256
150.	Reserves	107,757	10,554
170.	Capital	1,643,508	1,643,508
180.	Treasury shares (-)	-	-100
190.	Minority interests (+/-)	12	21
200.	Profit (loss) for the period (+/-)	-234,645	113,196
Total liabilities and equity		**25,383,798**	**23,881,672**

INCOME STATEMENT

Items		31 Dec. 2021	31 Dec. 2020
10.	Interest and similar income	405,149	422,110
	Of which: interest income calculated with the effective interest method	401,402	412,258
20.	Interest and similar expense	(73,729)	(81,925)
30.	**Net interest income**	**331,420**	**340,185**
40.	Fee and commission income	269,284	255,196
50.	Fee and commission expense	(27,002)	(24,780)
60.	**Net fee and commission income**	**242,282**	**230,416**
70.	Dividends and similar income	1,187	761
80.	Net profit (loss) on trading activities	1,437	2,308
90.	Net profit (loss) on hedging activities	79	(170)
100.	Profit (losses) on disposal or repurchase of:	(15,388)	22,630
	a) financial assets measured at amortized cost	(15,286)	21,383
	b) financial assets measured at fair value through other comprehensive income	(102)	1,247
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(52,156)	(7,894)
	b) other financial assets mandatorily measured at fair value	(52,156)	(7,894)
120.	**Net interest and other banking income**	**508,861**	**588,236**
130.	Net losses/recoveries for credit risk on:	(437,146)	(111,986)
	a) financial assets measured at amortized cost	(436,719)	(112,916)
	b) financial assets measured at fair value through other comprehensive income	(427)	930
140.	Profits/Losses on contract modifications without derecognition	366	(1,258)
150.	**Net financial income (loss)**	**72,081**	**474,992**
190.	Administrative expenses:	(454,249)	(415,135)
	a) personnel expenses	(288,035)	(245,245)
	b) other administrative expenses	(166,214)	(169,890)
200.	Net provisioning for risks and charges	(102,083)	(591)
	a) commitments and guarantees given	(11,795)	960
	b) other net provisions	(90,288)	(1,551)
210.	Net impairment losses/recoveries on property, plant and equipment	(116,634)	(35,504)
220.	Net adjustments of//recoveries on intangible assets	(19,645)	(8,601)
230.	Other operating expenses/income	46,647	55,212
240.	**Operating costs**	**(645,964)**	**(404,619)**
250.	Profit (losses) on equity investments	4,312	2,701
260.	Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	(14,690)	(2,896)
280.	Profit (losses) on disposals of investments	1,970	33,890
290.	**Profit (Loss) before tax from continuing operations**	**(582,291)**	**104,068**
300.	Taxes on income from continuing operations	347,645	9,125
330.	**Profit (Loss) for the period**	**(234,646)**	**113,193**
340.	Loss for the period attributable to minority interests	1	3
350.	**Net profit (loss) for the period attributable to the Parent Company**	**(234,645)**	**113,196**

STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**(234,646)**	**113,193**
	Other comprehensive income after tax not recycled to profit or loss	**(5,304)**	**4,809**
20.	Equity securities designated at fair value through other comprehensive income	(5,632)	(308)
70.	Defined-benefit plans	310	5,153
80.	Non-current assets held for sale and discontinued operations	14	-
90.	Share of valuation reserves on equity investments measured using the equity method	4	(36)
	Other comprehensive income after tax reclassified to profit or loss	**(5,400)**	**139**
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(5,400)	139
170.	**Total other comprehensive income after taxes**	**(10,704)**	**4,948**
180.	**Comprehensive income (Item 10+170)**	**(245,350)**	**118,141**
190.	Consolidated comprehensive income attributable to Minority Interests	1	3
200.	**Consolidated comprehensive income attributable to the Parent Company**	**(245,349)**	**118,144**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Share capital: ordinary shares	Share premium reserve	Reserves: Retained earnings reserves	Reserves: Other	Valuation reserves	Treasury shares	Profit (Loss) for the period	Profit (Loss) for the period	Equity attributable to minority interests
EQUITY AS AT 31 DEC. 2020	1,643,532	-	10,552	2	7,256	-100	113,193	1,774,414	21
CHANGE TO OPENING BALANCES	-	-	-	-	-	-	-	-	-
EQUITY AS AT 1 JAN. 2021	1,643,532	-	10,552	2	7,256	-100	113,193	1,774,414	21
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves	-	-	97,059	-	-	-	-97,059	-	-
Dividends and other allocations	-	-	-	-	-	-	-16,134	-16,134	-
CHANGES FOR THE PERIOD									
Changes in reserves	-	-	141	2	-204	-	-	-63	2
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	-	-	-	-	-	100	-	100	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-	-
Changes in equity interests	-10	-	-	-	-	-	-	-	-10
Comprehensive income					-10,704		-234,646	-245,349	-1
EQUITY AS AT 31 DEC. 2021 -GROUP SHARE	1,643,508	-	107,757	-	-3,652	-	-234,645	1,512,968	-
EQUITY AS AT 31 DEC. 2021 ATTRIBUTABLE TO MINORITY INTERESTS	14	-	-5	4	-	-	-1	-	12

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Share capital: ordinary shares	Share premium reserve	Reserves: Retained arnings reserves	Reserves: Other	Valuation reserves	Treasury shares	Profit (Loss) for the period	Equity - Group share	Equity attributable to minority interests
EQUITY AS AT 31 DEC. 2019	1,916,807	638,667	16,295	-965,994	-5,621	-100	56,238	1,656,269	23
CHANGE TO OPENING BALANCES	-	-	-	-	-	-	-	-	-
EQUITY AS AT 1 JAN. 2020	1,916,807	638,667	16,295	-965,994	-5,621	-100	56,238	1,656,269	23
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR	-	-	-	-	-	-	-	-	-
Reserves	-	-	1,209	55,029	-	-	-56,238	-	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-
CHANGES FOR THE PERIOD									
Changes in reserves	-273,275	-638,667	-6,952	910,967	7,929	-	-	1	1
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-	-
Change in equity interests	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	4,948	-	113,193	118,144	-3
EQUITY AS AT 31 DEC. 2020 -GROUP SHARE	1,643,508	-	10,554	-	7,256	-100	113,196	1,774,414	-
EQUITY AS AT 31 DEC. 2020 ATTRIBUTABLE TO MINORITY INTERESTS	24	-	-2	2	-	-	-3	-	21

STATEMENT OF CASH FLOWS

		31 Dec. 2021	31 Dec. 2020
A.	OPERATING ACTIVITIES		
1.	**Cash flows from operations**	**149,826**	**171,917**
	- Profit (loss) for the FY (+/-)	-234,645	113,196
	- Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value through profit or loss(-/+)	51,306	8,011
	- Gains/losses on hedging activities (-/+)	-79	170
	- Net adjustments/recoveries for credit risk (+/-)	454,618	140,767
	- Net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	136,279	44,105
	- Net provisioning for risks and charges and other costs/revenues (+/-)	102,083	591
	- Taxes, levies and tax credits not settled (+)	-333,094	-3,694
	- Other adjustments (+/-)	-26,642	-131,229
2.	**Cash flow generated/absorbed by financial assets**	**-1,813,945**	**182,713**
	- Financial assets held for trading	248	1,438
	- Financial assets mandatorily measured at fair value	17,699	-3,110
	- Financial assets measured at fair value through other comprehensive income	189,840	116,856
	- Financial assets measured at amortized cost	-1,994,723	48,312
	- Other assets	-27,009	19,217
3.	**Cash flow generated/absorbed by financial liabilities**	**1,688,460**	**-446,762**
	- Financial liabilities measured at amortized cost	1,657,511	-355,692
	- Financial liabilities held for trading	299	54
	- Other liabilities	30,650	-91,124
Net cash flow generated/absorbed by operating activities		**24,341**	**-92,132**
B.	INVESTING ACTIVITIES		
1.	**Cash flow generated by:**	**19,895**	**55,342**
	- sales of equity investments	-	2,021
	- dividend received on equity investments	1,215	1,184
	- sales of property, plant and equipment	18,680	14,137
	- sale of subsidiaries and business units	-	38,000
2.	**Cash flow absorbed by:**	**-9,034**	**-19,102**
	- purchases of equity investments	-932	-
	- purchases of property, plant and equipment	-4,863	-11,902
	- purchases of intangible assets	-3,239	-7,200
Net cash flows generated/absorbed by investing activities		**10,861**	**36,240**
C.	FUNDING ACTIVITIES		
	- issues/purchases of treasury shares	100	-
	- distribution of dividends and other	-16,134	-
Net cash flows generated/absorbed by funding activities		**-16,034**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**19,168**	**-55,892**

Key: (+) generated/ from (–) absorbed/used in

RECONCILIATION

	31 Dec. 2021	31 Dec. 2020
Opening cash and cash equivalents	198,002	253,894
Total net increase/decrease in cash and cash equivalents for the year	19,168	-55,892
Closing cash and cash equivalents	**217,170**	**198,002**

Key: (+) generated/ from (–) absorbed/used in

The information required under paragraph 44 B of IAS 7 in order to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

	31 Dec. 2020	Changes from cash flows generated by financing activities	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other change	31 Dec. 2021
Liabilities arising from financing activities (items 10, 20 and 30 of Liabilities)	21,415,842	1,675,656	-	299	-	23,091,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Statement of compliance with IAS/IFRS

The Annual Report and Consolidated Financial Statements of Credito Valtellinese have been prepared pursuant to Italian Legislative Decree no. 38 of 28 February 2005, in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.

Therefore, the IAS/IFRS in force as at 31 December 2021 (including the interpretations documents called SIC and IFRIC) have been applied, as endorsed by the European Commission and listed in detail in the specific table in an annex to these Financial Statements.

The financial statements and the contents of the notes to the financial statements have been prepared in compliance with the provisions laid down in Circular No. 262 "Banks' financial statements: layouts and preparation" issued by the Bank of Italy on 22 December 2005, within the exercise of its powers under Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one of which is the 5th update published on 2 November 2021 2021 Furthermore, these financial statements have been prepared in accordance with the instructions given by the Bank of Italy on 21 December 2021 as regards the update of the supplements to its Circular 262 concerning the impacts of Covid-19 and the measures to support the economy.

Section 2 - General preparation principles

The Annual Report and Consolidated Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements, as well as of the Management Report on the performance of operations, on the profits (losses) made by Crédit Agricole Italia and on its financial and cash flow position.

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency. The amounts in the Financial Statements, in the Notes to the Financial Statements and in the Management Report are expressed in thousands of Euro, where not otherwise specified.

The Annual Report and Financial Statements have been prepared in compliance with the general presentation principles set down by IAS 1 and with the specific accounting standards endorsed by the European Commission and reported in Part A.2 of this Note.

No exceptions were made in applying the IASs/IFRSs.

Furthermore, the 2020 Annual Report and Financial Statements were prepared taking into account, where applicable, the communications and the interpretation documents of the various Regulatory and Supervisory Authorities (ESMA, EBA, ECB, Bank of Italy) giving recommendations on the disclosures and transparency required of financial institutions and information supporting the application of the accounting standards as regards the consequences of the Covid-19 pandemic, which, due to its pervasiveness, impacts on several areas of annual financial reporting.

In performing their role as competent Supervisory Authorities for prudential purposes, the European Central Bank and the Bank of Italy published press releases and letters intended to clarify the reference regulatory framework and their guidance and expectations on this matter. EBA guidelines complete the reference framework for banks about expected credit losses, staging allocation and measures to support the economy.

The main communications and interpretations provided by the Supervisory Authorities and taken into account for the preparations of the 2021 annual report and financial statements, which, in several cases, had already been applied to the 2020 annual report and financial statements, are reported in the table below.

Document title	Issue date	Title
EBA- European Banking Authority		
Statement	25 March 2020	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures
Guidelines	02/04/2020-25/06/20 – 02 December 2020	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis
ESMA – European Securities and Market Authority		
Raccomandazione	11 March 2020	ESMA recommend action by financial market participant for Covid-19 impact
Statement	25 March 2020	Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9
Communication	20 May 2020	Implications of the Covid-19 outbreak on the half-yearly financial reports
Statement	29 October 2021	European common enforcement priorities for 2021 annual financial reports
IFRS Foundation		
Statement	27 March 2020	IFRS 9 and Covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic
BCE -European Central Bank		
Communication	20 March 2020	ECB Banking Supervisor provides further flexibility to banks in reaction to coronavirus
Letter	20 March 2020	IFRS 9 in the context of the coronavirus (Covid-19) pandemic
Letter	4 December 2020	Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic
Bank of Italy		
Communication	21 December 2021	Update of the provisions supplementing Circular no. 262 “Banks' financial statements: layouts and preparation” concerning the impacts of the COVID-19 pandemic and of the measures to support the economy
Consob		
Warning notice no.1/21	16 February 2021	Covid -19 - Measures to support the economy - Warning notice on the information to be provided by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards

GOING CONCERN BASIS

On 1 February 2022, after receiving the relevant authorization from the ECB, the Board of Directors of Credito Valtellinese passed the resolution for the merger by absorption of Creval into Crédit Agricole Italia S.p.A., under Article 2505 et seq. of the Italian Civil Code. The merger is expected to be completed in April 2022.

With regard to the going concern assumption, in the light of the main economic and financial indicators and business outlook, the Board of Directors believes it has a reasonable certainty that Creval will remain a going concern albeit as part of a different legal entity. Therefore, the annual financial statements were prepared on a going-concern basis.

Despite the ongoing complexity of the economic and health scenario, which is to be considered still critical and constantly evolving due to the spread of the Covid-19 pandemic, including variants, and to the measures deployed by Italy and by the EU to address it, the analyses carried out based on the available information have given grounds to conclude that Credito Valtellinese will be able to meet the risks and uncertainties associated with the present emergency.

As regards the risk reporting required pursuant to IFRS 7, appropriate information is provided in the Management Report and in the Notes to the Financial Statements, specifically in Section 5 below and in Part E - Information on risks and relative hedging policies.

The Notes to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of financial assets and non-current assets.

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

To prepare the Annual Report and Consolidated Financial Statements, estimates and assumptions must be made, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities reported.

Making such estimates entails the use of the information that is available at the relevant time and of subjective assessments.

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which the Bank will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of assets. Said estimates and assessments are therefore difficult and entail unavoidable elements of uncertainty. The increasing geopolitical tensions in Europe and the war in Ukraine are yet another uncertainty factor for the Group.

More exhaustive information is given in Section 5 “Risks, uncertainties and impacts generated by the Covid-19 epidemic”.

The main instances that require the use of subjective assessments to be made by the Senior Management are the following:

- Quantifying losses resulting from the impairment of loans and of other financial assets in general;
- Using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- Using measurement models for equity investments;
- Quantifying the fair value of properties and artistic heritage;
- Assessing the consistency of the value of intangible assets and property, plant and equipment;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

The description of the accounting policies applied to the main aggregates reported in the financial statements provides detailed information on the major assumptions made and subjective assessments used in preparing the financial statements.

CONTENT OF THE FINANCIAL STATEMENTS AND OF THE NOTES TO THE FINANCIAL STATEMENTS

The Balance Sheet and Income Statement contain items, sub-items and further information (the “of which” for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005, as updated. In the Balance Sheet and Income Statement, items with no amount in the reporting year and in the previous one have not been stated. In the Income Statement, costs are in parenthesis while revenues have no sign.

Besides the profit (loss) per the period, the Statement of Comprehensive Income presents the other income that were not recognized in the Income Statement but as changes in the equity valuation reserves. As for the Balance Sheet and the Income Statement, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated. Negative amounts are set forth in parenthesis.

In order to facilitate understanding of the figures, the rows and columns of the Statement of Changes in Equity were inverted with respect to the same statement layout provided for by the above Bank of Italy Circular No. 262/2005. The statement shows the composition and movements of the shareholders’ equity items during the reporting year and in the previous one, broken down into share capital (ordinary shares and savings shares), capital reserves, retained earnings reserves, comprehensive income and net profit or loss attributable to the Parent Company's shareholders and to minority interests. The value of treasury shares is deducted from equity.

The statements of cash flows for the reporting period and for the previous one were prepared using the indirect method, based on which cash flows from operating activities are represented by the profit or loss for the year, adjusted for the effects of non-monetary transactions. Therefore, the figures for the previous period were reclassified with the indirect method. Cash flows are broken down into flows generated by operating activities, investment activities and funding activities. Specifically, the profit or loss components as well as all financial assets and liabilities other than those relating to investing activities that generated or absorbed liquidity are represented within the operating activities. The incoming and outgoing cash flows arising from the sale/purchase of property, plant and equipment and intangible assets, equity investments, business combinations or subsidiaries are included in investing activities Financing activities include the flows resulting from the issues or purchases of equity instruments and dividend distributions or for other purposes achieved during the financial year. In the Statement, cash flows generated in the period are reported without sign, while those absorbed are reported with a minus sign.

The Notes to the Financial Statements contains the information required by Bank of Italy Circular no. 262/2005, with its updates, as well as further information required by IAS/IFRS. The notes to the financial statements does not include the sections on items with no amount in FY 2021 or in the previous one. In the notes to the financial statements, negative amounts relating to Part C and Part D are shown in parenthesis.

Bank of Italy – Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" 7th update of 2 November 2021

On 2 November 2021 the Bank of Italy published the 7th update of Circular no. 262 "Banks' financial statements: layouts and preparation" of 22 December 2005 in order to align banks' financial statements to the EU-wide Framework for Consolidated Financial Reporting (FINREP). The update, which consists in a full revision of the Circular, applies to financial statements for reporting periods closed or underway on 31 December 2021.

The main novelties concern the presentation of financial information, namely:

- Of some categories of financial assets, which shall be presented as already provided for in the EU harmonised supervisory reporting framework (FINREP) and in the Bank of Italy Circulars as recently updated.
- Of intangible assets, for which specific evidence is required of software that is not an integral part of the related hardware pursuant to IAS 38;
- Of the information breakdown on fee and commission income and expenses;
- Of the contributions and commitments to pay contributions to the resolution fund and deposit guarantee schemes, of which separate disclosure is required in the relevant items.

The changes made also implement the novelties introduced by the amendments to IFRS 7 on disclosure of financial instruments which were endorsed with Regulation EU) 2021/25 entered into force on 1 January 2021 and introduced specific disclosure requirements about the benchmark reform for determining interest rates on financial instruments (please, see the related paragraph in section 1 of this notes to the financial statements).

Specifically, the information contained in the Balance Sheet regarding asset items "Cash and cash equivalents" and "Financial assets measured at amortized cost" was changed as follows:

- All demand accounts in the technical forms of current accounts and demand deposits due from banks and claims on Central Banks shall be recognized under item "Cash and cash equivalents", except for the reserve requirement. Therefore, item "Financial assets measured at amortized cost" reports also due from banks and claims on Central Banks other than demand accounts, which are reported in item "Cash and cash equivalents".
- The Income Statement layout has been changed subsequent to the changes made to the Balance Sheet. Specifically, item "Net adjustments/recoveries for credit risk" was changed in order to report also net adjustments/recoveries for credit risk on demand due from banks and Claims on Central Banks "Sight", which are reported under item "Cash and cash equivalents";
- In the notes to the financial statements, the breakdown of item "Cash and cash equivalents" has been changed in order to make it consistent with the same asset item of the Balance Sheet including the breakdown of demand deposits and current accounts with Banks and Central Banks". Furthermore, regarding adjustments/recoveries for credit risk to/on financial assets measured at amortized cost, net adjustments to demand due from banks and claims on Central Banks recognized under item "Cash and

cash equivalents" are conventionally to be set forth specifying their amount, if material, at the bottom of the table.

In order to ensure smooth comparison of balance sheet aggregates, the comparison period as at 31 December 2020 was reclassified. The tables below summarize the reclassifications of the comparison period data.

ASSET ITEMS (thousands of Euro)	31 Dec. 2020 Riclassificato	31 Dec. 2020 Ufficiale	Difference
10. Cash and cash equivalents	198,002	173,104	24,898
40. Financial assets measured at amortized cost – a) due from banks	1,530,057	1,554,955	-24,898

Statement of Cash Flows - Reconciliation (thousands of Euros)	31 Dec. 2020 Riclassificato	31 Dec. 2020 Ufficiale	Difference
Opening cash and cash equivalents	198,002	173,104	24,898

1.1 - Cash and cash equivalents: breakdown	31 Dec. 2020 Riclassificato	31 Dec. 2020 Ufficiale	Difference
10. Cash and cash equivalents - c) Demand deposits and current accounts with banks	24,898	-	24,898

4.1 - Financial assets measured at amortized cost – a) breakdown of due from banks by type	31 Dec. 2020 Riclassificato	31 Dec. 2020 Ufficiale	Difference
B. Due from banks - 1. Loans - 1.1 Current accounts and demand deposits	-	24,898	-24,898

In accordance with FINREP, for portfolios "Assets measured at fair value through other comprehensive income" and "Financial assets measured at amortized cost", the disclosure on "Purchased or Originated Credit Impaired assets "has been excluded from the reporting by risk stages and separately reported (the same approach has been adopted for the income statement disclosure "net adjustments/recoveries for credit risk"). Consequently, having regard to the figures stated as at 31 December 2020, in tables 4.2, 4.3 and 4.4 of PART B and in table 8.1 of PART C, the amount of "Purchased or Originated Credit Impaired assets" was separately reported, adjusting at the same time the amount reported in the Third Stage column.

Bank of Italy – communication of 21 December 2021 - Update of the provisions supplementing Circular no. 262 "Banks' financial statements: layouts and preparation" concerning the impacts of the Covid-19 pandemic and of the measures to support the economy.

With its communication of 21 December 2021, the bank of Italy published the supplemented provisions governing banks' financial statements (Circular no. 262 of 2005) in order to provide the market with information on the effects that the Covid-19 pandemic and the measures to support the economy generated on the strategies, objectives and risk management policies, as well as on the profitability and financial situation of intermediaries. The update of the supplemented provisions published in December 2020, taken into account the developments in the EU legislation on the treatment of moratoria, the recent updates of supervisory reporting and financial reporting circulars and the Covid-related amendments to IFRS 16 "Leases":. Due to the temporary nature of the Covid-19 emergency and of the support measures, the supplemented provisions on financial reporting related thereto shall be in force until the Bank of Italy communicates otherwise.

The Bank of Italy confirmed its expectations that specific qualitative and quantitative disclosures be rgiven in the tables in the Notes to the financial statements, specifically in Part B (Information on the Balance Sheet), Part C (Information on the Income Statement) and Part E (Information on risks and relative hedging policies), regarding loans under "moratoria" or other concession measures in force as at the reporting date, or loans providing new liquidity and backed by public guarantees.

Gross exposure and total adjustments to loans under Covid-19-related support measures shall be reported broken down by credit risk stage and "purchased or originated credit impaired". Furthermore, the disclosure shall extend to the loans under moratoria, assessed as compliant with EBA/GL/2020/02 as at the concession date and no longer compliant as at the reporting date, which have not been classified by the bank as "forborne exposures" (as defined in the supervisory reporting provisions in force) subsequent to the event that generated their non-compliance with EBA/GL/2020/02.

Section 3 – Scope and methods of consolidation

SCOPE OF CONSOLIDATION

The scope of consolidation consists of Credito Valtellinese and of its direct and indirect subsidiaries.

In accordance with IFRS 10, Subsidiaries are companies in which Credito Valtellinese S.p.A., directly or indirectly, holds at the same time:

- the power to influence the Investee's relevant activities, i.e. the activities that significantly affect the investee's returns;
- Exposure and/or rights to variable returns of the Investee;
- the ability to exercise its power over the Investee to affect the amount of its returns.

The companies in which Credito Valtellinese S.p.A., directly or indirectly, holds over 50% of the rights to vote in the General Meeting of Shareholders are considered subsidiaries.

Control exists also where Credito Valtellinese, even though not holding the majority of the voting rights, has sufficient rights to unilaterally manage and direct the investee's relevant activities or where it holds:

- Substantial potential voting rights through underlying call options or convertible instruments;
- Rights that result from contractual agreements and that, combined with its voting rights, make Credito Valtellinese actually able to manage and direct production processes, other management or financial activities, i.e. activities that significantly affect the investee's returns;
- Power to affect, under the investee's articles of association or other agreements, its governance and decision-making processes concerning relevant activities;
- The majority of voting rights under formally executed agreements with other holders of voting rights (for example, voting agreements and shareholders' agreements).

Special-purpose entities/special-purpose vehicles (SPE/SPV) have also been included, when the requirements are met, also irrespective of the existence of a majority shareholding.

Equity investments in joint arrangements are in investees in which the investor has the power to make decisions on material activities of a third entity with other parties under contractual agreements.

Associates, i.e. subject to significant influence, are companies in which Credito Valtellinese S.p.A. holds, directly or indirectly, at least 20% of the voting rights or has the power to participate in determining the financial and operating policies of the Investee, despite holding less than 20% of the voting rights, due to specific legal ties such as being party to shareholders' voting agreements.

Likewise, despite holding at least a 20% equity investment, significant influence may not be exercised due to legal ties, voting agreements or other relevant elements that affect the entity's governance.

In 2021 the securitization transaction carried out through special-purpose entity Quadrivio RMBS 2011 S.r.l. was closed and therefore the SPE is no longer included in the consolidation scope.

CONSOLIDATION METHODS

As regards consolidation methods, subsidiaries, joint ventures and investees on which Credito Valtellinese exercises significant influence have been consolidated on a one-line basis in accordance with the equity method.

Full consolidation involves the line-by-line aggregation of the Balance Sheet and Income Statement items.

After attributing the relevant portion of the equity and profits or losses to minority interests, under a separate dedicated item, the value of the equity investment is derecognized with the remaining value of the equity of the subsidiary as the balancing item.

Positive differences resulting from this operation are reported under "Intangible assets" as goodwill or other intangible assets, after recognition – where any – under other asset and liability items of the subsidiary. Negative differences are taken to the Income Statement.

Business combinations are recognized using the acquisition method provided for by IFRS 3, applied starting from the date of acquisition, that is to say, from the moment in which control of the business is actually achieved In accordance with this method, the identifiable assets acquired and the identifiable liabilities taken (including contingent ones) shall be recognized at their respective fair values as at the acquisition date. Moreover, for each business combination, any minority interests in the acquired company may be recognized at fair value or proportionally to the minority interest in the identifiable net assets of the acquired company.

Profit or losses of a subsidiary acquired in the period are reported in the Consolidated Financial Statements starting from the date of acquisition. Conversely, profit or losses of a subsidiary sold in the period are reported in the Consolidated Financial Statements up to the date on which control is transferred.

Consolidation using the equity method provides for initial recognition of the equity investment at cost and, subsequently, for its value adjustment based on the portion held of the investee's equity. Any differences between the value of the equity investment and the equity portion held are included in the book value of the investee.

The Group's share of the subsidiary's profit or loss for the year is recognized under a specific item in the consolidated income statement.

The other main consolidation operations include:
- Elimination of dividends paid or declared by consolidated companies;
- Elimination of intercompany transactions from the balance sheet or income statement;
- Elimination of gains and losses resulting from sale and purchase transactions between consolidated companies and relating to amounts included in equity;
- Adjustments needed to harmonize accounting standards;
- Where applicable, recognition of the tax effects of any adjustments to harmonize the bases for the measurement of financial statement items or other consolidation adjustments.

1. Equity investments in subsidiaries

The following table shows the equity investments included within the scope of consolidation, specifying:
- The name and ;headquarters
- The type of control;
- Investor
- Percentage of voting rights held by the Investor.

Company name	Headquarters	Registered Office	Type of control (1)	Equity investment		Actual % of votes available % (2)
				Investor	% held	
1. Credito Valtellinese S.p.A.	Sondrio, Italy	Sondrio, Italy				
2. Stelline Real Estate S.p.A.	Sondrio, Italy	Sondrio, Italy	1	1	100.00	
3. Creval PiùFactor S.p.A.	Milan, Italy	Milan, Italy	1	1	100.00	
4. Creval Covered Bond S.r.l.	Conegliano Veneto (TV), Italy	Conegliano Veneto (TV), Italy	1	1	60.00	
5. Quadrivio Sme 2018 S.r.l.	Conegliano Veneto (TV), Italy	Conegliano Veneto (TV), Italy	4			

Key:

(1) Type of control:
1 = Majority of the voting rights in the ordinary General Meeting of Shareholders.
2= dominant influence in the ordinary General Meeting of Shareholders.
3 = agreement with other shareholders.
4 = other forms of control.
5= unitary management pursuant to Article 39, paragraph 1, of Italian Legislative Decree 136/2015 6= unitary management pursuant to Article 39, paragraph 2, of Italian Legislative Decree 136/2015.

(2) Votes available at the ordinary general meeting of shareholders, only if different from the equity investment held, separately stating actual and potential votes: 1= actual; 2= potential.

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

As specified above, subsidiaries are companies regarding which Credito Valtellinese is the investor that is exposed to or has right to variable returns from its involvement with such investees and, at the same time, has the ability to affect those returns through its power over such investees.

Specifically, Credito Valtellinese takes the following factors into account to assess whether control is held:

- The investee's purpose and structure, in order to identify the entity's objectives, its relevant activities, i.e. the activities that significantly affect the investee's returns, and how such activities are directed;
- Power, in order to understand whether Credito Valtellinese has contractual rights giving the ability to direct the relevant activities;
- Exposure, or rights, to variable returns from its involvement with the investee, in order to assess whether the return received by Credito Valtellinese could potentially change based on the investee's performance.

In accordance with IFRS 10, "relevant activities" are only those activities that significantly affect the investee's returns.

In general terms, when relevant activities are directed through voting rights, the following factors give evidence of control:

- Holding, directly or indirectly through its subsidiaries, more than half of the voting rights of an investee, unless, in exceptional cases, it can be clearly proved that holding more than half of the voting rights does not amount to holding control;
- Holding half or less than half the voting rights that can be exercised at the general meeting and practical ability to direct the relevant activities unilaterally through:
  - Control over more than half of the voting rights through a contractual arrangement with other investors holding voting rights;
  - The power to determine the investee's operating and financing policies pursuant to the entity's articles of
  - association or to a contract arrangement;
  - The power to appoint or remove the majority of the members of the board of directors or of the equivalent corporate governance body;
  - The power to exercise the majority of the voting rights at meetings of the board of directors or of the equivalent corporate governance body.

In order to exercise power, the rights held by Credito Valtellinese over the investee must be substantive; in order for rights to be substantive, their holder must have the practical ability to exercise them when decisions on relevant activities are made.

The existence and effect of potential voting rights, if substantive, are taken into account in assessing whether the power to direct another entity's operating and financing policies is held.

Sometimes, Credito Valtellinese may have the "practical ability" to exercise control over some entities, when, despite holding less than a majority of the voting rights, it has rights that are sufficient to give it the power to direct the investee's relevant activities unilaterally.

Structured entities - securitization special-purpose entities.

To verify whether the requirements are met for control on special-purpose entities, the factors taken into considerations are the ability to exercise power on the investee's relevant activities to the investor's advantage and the ultimate purpose of the transaction, as well as the involvement of the investor/sponsor in structuring the transaction.

For these entities, the subscription of essentially all notes by Credito Valtellinese is considered evidence, especially in the structuring phase, of the power to manage the entity's relevant activities to influence the returns on the transaction.

3. Equity investments in subsidiaries with significant minority interests

As at the reporting date, there were no equity investments in subsidiaries with significant minority interests.

4. Significant restrictions

No significant restrictions are to be reported pursuant to IFRS 12.13.

5. Other information

The data on equity investments are those presented in the 2021 financial statements approved by their respective general meetings of shareholders or, where lacking, those stated in the draft financial statements approved by their respective Boards of Directors. For equity investments in entities under common control or subject to significant influence, where the 2021 figures were not available, the latest balance sheets and income statements available were used.

Section 4 – Events occurred after the reporting date

For information on events occurred after the reporting date, please, see the Management Report section on significant events occurred after the reporting date. Those events generated no effects on the balance sheet and income statement as at 31 December 2021.

Section 5 – Other aspects

1. New IAS/IFRS

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2021

In compliance with IAS 8, the table below reports the new international accounting standards or the amendments to standards already in force, along with the Regulations endorsing them, that shall mandatorily be applied for reporting periods starting on or after 1 January 2021.

Standards, amendments or interpretations	Publication date	Date of first application
Amendment to IFRS 4 Insurance Contracts Temporary Exemption from Applying IFRS 9	16 December 2020 (EU No. 2020/2097)	1 January 2021
Amendments to IAS 39, IFRS 7 e IFRS 9 – Interest rate benchmark reform – Phase 2	14 January 2021 (EU No. 2021/25)	1 January 2021
Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions (2nd amendment)	31 August 2021 (EU No. 2021/1421)	1 April 2021

Information outlined above on the new standards and on the amendments thereto applying to reporting periods starting on or after 1 January 2021 is broken down below.

Amendment to IFRS 4 - Insurance contracts

On 18 May 2017, the International Accounting Standard Board (IASB) published the new IFRS 17 “Insurance contracts”, which shall replace IFRS4 IASB postponed the entry into force of the new standard, which was initially applicable to reporting periods starting on or after 1 January 2021 and is now applicable to reporting periods starting on or after 1 January 2023 (standard endorsed by the EU with Regulation (EU) 2021/2036). On 16 December 2020, Regulation (EU) 2020/2097 laying down amendments to IFRS 4 was published on the Official Journal of the European Union. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and, thus, to address the temporary accounting consequences of the different effective dates of the two standards. These amendments will generate no impacts on Credito Valtellinese.

Interest Rate Benchmark Reform

In 2019 Creval designed the process to be implemented to address material changes or termination of benchmark rates used to set the conditions applying to financial instruments and financial contracts with Customers, in line with the Italian applicable legislation (Italian Legislative Decree no. 191 of 13 February 2019) and Regulation (EU) 2016/1011, BMR – Benchmarks Regulation).

Therefore, Creval formalized the management rules and operational practices adopted to:

- Identify the termination or substantial change in any benchmark;
- Verify the impact of said modifications on profit or loss;
- Prepare the consequent actions in terms of massive changes to the contracts in force;
- Send the relevant notices to customers;
- Change interest rates in accordance with the applicable legislation in force at the relevant time.

The approach adopted by Creval on a prevailing basis was to renegotiate the contracts in force before the termination of the benchmarks, aiming at full compliance with the deadlines set by the market and by the competent authorities. It is also worth noting that Creval exposures to benchmark rates that are going to be terminated (LIBOR and EONIA) are very modest in terms of both number of contracts and amounts. Specifically, those exposures mainly concern syndicated loans and trading or hedging derivatives.

As at 31 December 2021, the breakdown by material benchmark rate of the instruments based on old benchmark rates and to be transitioned to the new benchmarks before their maturity was as follows (amounts in thousands of Euros):

	EONIA	USD LIBOR	LIBOR GBP	LIBOR JPY	LIBOR CHF	LIBOR EUR
Total financial assets (excluding derivatives)	-	3.059	412	-	-	-
Total financial liabilities	-	-	-	-	-	-
(excluding derivatives)	-	-	-	-	-	-
Total notional value of derivatives						

It is also reported that the set of hedging instruments affected by the reform and on which uncertainties remain consists of a single contract linked to EURIBOR, and having a nominal value of Euro 300 million.

Amendments to IFRS 16 “Leases”: Covid-19-Related Rent Concessions

In 2020, the IFRS Foundation approved an amendment to IFRS 16 in order to clarify how Covid-19-related concessions should be recognized by lessees that prepare their financial statements in accordance with IAS/IFRS.

In accordance with that amendment, which was endorsed by the EU on 12 October 2020 with the publication of Regulation (EU) 2020/1434, lessees are exempt from the obligation to assess whether the Covid-19-related concessions are lease contractual modifications, allowing them to be qualified as “variable rent” directly through profit or loss, in order to report the changes in the payments due.

On 31 March 2021, the IASB issued document “Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)” whereby the eligibility period for the application of the amendments to ’IFRS 16 (paragraphs 46A and 46B) concerning Covid-19-related rent concessions was extended by one year (from June 2021 to June 2022). This amendment was endorsed by the European Union with Regulation (EU) 2021/1421 of 30 August 2021. Credito Valtellinese did not apply the *practical expedient*.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT NOT YET ENTERED INTO FORCE

For its financial statements as at 31 December 2021, Credito Valtellinese did not adopt standards and interpretations that, on 31 December 2021, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2022.

Standards, amendments or interpretations	Publication date	Date of first application
Annual Improvements 2018-2020 IFRS1 First time adoption IFRS- Translation differences IFRS9 Financial instruments–Test for the recognition of a substantial modification of a financial liability IAS41 Agriculture – Fair value of a biological asset	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework 2018 on the definition of assets and liabilities	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Costs considered in assessing whether a contract is onerous	02 July 2021 (EU 2021/1080)	1 January 2022
IFRS 17 Insurance Contracts (including Amendments to IFRS 17)	23 November 2021 (EU No. 2021/2036)	1 January 2023

Credito Valtellinese did not exercise the option for early adoption of the Regulation in force as of 1 January 2022, as where applicable, the amendments are not expected to generate any material impacts on its financial situation and profit or loss.

As already reported, IFRS 17 Insurance Contracts published in May 2017 will replace IFRS 4. It will be applicable to reporting periods starting on or after 1 January 2023. IFRS 17 lays down new principles in terms of measurement and recognition of insurance contract liabilities and measurement of their profitability, as well as in terms of presentation. The standard does not apply to Credito Valtellinese.

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that, as at 31 December 2020, had been published by the IASB but had not yet been endorsed by the European Union are not applicable by Credito Valtellinese.

Document title	Issued by IASB on IASB	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 2020	1 January 2023	TBD
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	January 2020	1 January 2023	TBD
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 2020	1 January 2023	TBD
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 2020	1 January 2023	TBD
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 2020	1 January 2023	TBD

2. Creval integration in the Crédit Agricole Italia Group

As already said in the Management Report, finalization of its acquisition by Crédit Agricole Italia, Creval no longer qualifies as Parent Company in accordance with the Supervisory Regulations. On 30 April 2021 the Credito Valtellinese Banking Group was struck off the Italian Register of Banking Group and Creval became subject to the management and coordination activities exercised by Crédit Agricole Italia and became part, along with its subsidiaries, of the Crédit Agricole Italia Banking Group.

After the acquisition, the accounting policies were harmonized with those of the Parent Company and non-recurring effects were recognized which resulted from the integration into the new Group consistently with the Parent Company's strategies. The main effects on the financial statements are described below.

Classification and measurement of Financial Assets at amortized cost

In order to align the Policies for the classification and measurement of Loans of Credito Valtellinese with the stricter ones adopted by the Parent Company, the loan portfolio of Creval and of its subsidiaries was measured using the methods of the Parent Company.

The methods provided for by said measurement policies are outlined in the Part on Accounting Policies. More specifically, the application of the different classification criteria caused some positions to be reclassified from performing to non-performing. In quantitative terms, their measurement in accordance with the new policies, along with the review of the expected collection flows and the different measurement of the guarantees backing non-performing exposures, entailed the recognition of higher adjustments in an amount of Euro 313.7 million under income statement item 130. "Net adjustments/Recoveries for credit risk".

The portfolio of Financial assets at amortized cost classified at Stages 1 and 2 (performing portfolio) was measured on a collective basis with a measurement model that was aligned with that of the Parent Company by applying management overlay and post model adjustment. This entailed the recognition of higher adjustments amounting to Euro 20.7 million under income statement item 130. "Net adjustments/Recoveries for credit risk".

Determination of the fair value O.I.C.R. units

In order to align the measurement policies to those adopted by the Parent Company, the method to determine the fair value of financial instruments was changed.

The main changes concerned the measurement of O.I.C.R. collective investment undertakings units held and classified in the "Financial Assets mandatorily measured at fair value" portfolio. Specifically, a liquidity discount was applied to the NAV, which varies in accordance with the type of fund (25-50% range). This entailed a decrease in value of Euro 49.2 million recognized under income statement item 130. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss: of b) of other financial assets mandatorily measured at fair value".

Measurement of real estate assets and rights of use

In order to align the methods to measure the value of property to the ones used by the Parent Company, the real estate assets of Creval and its subsidiaries were appraised by an independent expert appointed by Crédit Agricole Italia with the methods it uses. The adopted measurement approach was also set based on the new plan for property use. The measurement takes into account the intended use of the property decided by the Parent Company.

As regards operating property, the approach aims at enhancing continuity in the use of operating property as offices/branches, (thus assuming their continuing in use), On the other hand investment property assets are considered free and available, also with the possibility of selling them in the short term and taking into account management costs until the date of disposal.

The adopted approach provides for discontinuance of use (that is to say, classifying said property as investment rather than operating), also in case of management office buildings, in view of the implementation of a programme for the optimization of premises and rationalization of the distribution network . As regards market aspects, the measurement methods take into account the changes generated in market conditions by the Covid-19 pandemic and by the ongoing uncertainty.

As at 31 December 2021 the change in the bases of measurement determined a negative impact on profit or loss of Euro 72.3 million, which was recognized in income statement item 210. "Net adjustments to/recoveries on property, plant and equipment".

Moreover, additional adjustments to rights of use were recognized, mainly rights of use on operating property for a total amount of Euro 7.3 million, which were recognized under income statement item 210. "Net adjustments to/recoveries on property, plant and equipment".

Integration expenses and provisioning for risks and charges

The integration of Creval and its subsidiaries into Crédit Agricole Italia is going to generate expenses ("Integration expenses") which will be incurred for handling the IT migration and the operational and organizational integration and for coordinating the activities of the project streams. Specifically, these are the costs for the purchase of assets and services strictly related to the above-described processes. Besides, some property, plant and equipment and intangible assets (Hardware and Software) will no longer be used after the merger into the Parent Company, with the subsequent IT migration. The review of the possibility of use in the future led to the write-off of Hardware and software for a total amount of Euro 14 million, which was recognized under income statement item 210. "Net adjustments to/recoveries on property, plant and equipment" and item 220 "Net adjustments to/recoveries on intangible assets".

The alignment of the methods to estimate potential charges for pending disputes or items to be returned within the disposals of non-performing loans made in previous years, along with the recognition of possible charges for early termination of multi-year agreements for the distribution of products and provision of services, entailed the recognition of provisions in the income statements totalling Euro 82.9 million under item 200."Net provisioning for risks and charges b) other net provisions".

Recognition of discontinuing operations subsequent to the demerger of the leasing business unit and the transfer of Creval PiùFactor scheduled for 2022

Consistently with the business model structured based on business lines and with the industrial logics of the Group led by Crédit Agricole S.A., in 2022 Creval service model is going to be reorganized and rationalised transferring the factoring activities, carried out by Creval Più Factor, to the Group's entity operating in the specific line of business. The above will be achieved through the demerger of the leasing business unit and the transfer of the 100% equity investment held in Creval Più Factor.

These exposures have been reclassified under item 120. "Non-current assets held for sale and discontinued operations as the conditions laid down in this regard by IFRS 5 are met. A portfolio of exposures belonging to the leasing business unit to be demerged was measured updating the estimated expected loss in order to reflect the probability of selling it on the market. The resulting effect amounting to Euro 22.3 million was recognized under item 130. "Net adjustments/Recoveries for credit risk".

Generational Turnover

With the agreements signed with the Trade Unions in October and December, the CA Italia Group took an important step towards generational turnover, which will consist, on the one hand, in the recruitment of 550 young people and in concerting 200 fixed term contracts into indefinite term ones and, on the other hand, in incentives to voluntary redundancy for about 1,100, resources, of whom about 190 of Creval, and the use of the Voluntary Redundancy Fund, with about 200 people going into early retirement.

To account for said agreements, in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", expenses amounting to Euro 38 million were recognized under income statement item 190. a) "Personnel expenses".

Disposal of an NPE portfolio (Stelvio project)

Within the wider action for de-risking and asset quality improvement of the CAI Group, on 17 December 2021 Crédit Agricole Italia S.p.A. (the "Parent Company"), Crédit Agricole FriulAdria S.p.A. and Creval S.p.A. finalized the securitization of a portfolio of bad loans for a gross amount of about Euro 1.55 billion. Creval took part in the transaction with a portfolio of about Euro 263 million.

The securitization meets the regulatory requirements for being backed by Italian State Guarantee on Securitization of NPLs (GACS). The senior notes were assigned an investment grade rating (BBB)by rating agencies DBRS Morningstar, Scope Ratings and Arc Ratings. The Parent Company subscribed all senior notes and applied for the GACS guarantee.

The effects of this disposal have been recognized under income statement item 100. "Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost".

Deferred Tax Assets (DTA): probability test

The recognition of deferred tax assets (DTA), other than those that can be transformed into tax asset, is strictly related to the Bank's ability to generate sufficient future taxable income. The probability test was carried out for recognition purposes. The test consists in simulating the capacity to recover the deductible temporary differences and tax losses accrued at reporting date with future taxable income After Creval became part of the Crédit Agricole Italia Group, as at 31 December 2021 the probability test was conducted by the Parent Company Crédit Agricole Italia S.p.A. and confirmed total recoverability of the DTA. Said verification was performed having regard to Article 1, paragraph 233 et seq. of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, under which Deferred Tax Assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits.

The probability test calculation was based on the estimates of the future profits and losses used for the Group impairment test. The test showed that the recognized DTA for tax losses cane be reasonably expected to be recovered over a modest time horizon, which, in the most likely scenario, is five years.

The deferred tax assets regarding deductible temporary differences recognized totalled approximately Euro 260 million, of which about Euro 137 million recognized on the amount of adjustments to loans recognized upon the first-time adoption of IFRS 9 in FY 2018.

Deferred tax assets resulting from tax losses were recognized in the amount that is justified by the possibility of their recovery:

- For Euro 239 million regarding the stock of losses made before 31 December 2020, given the resolution adopted by the Board of Directors of Crédit Agricole Italia to exercise the option for their conversion into tax credits following the merger by absorption of Creval, under Article 1, paragraphs 233-243 of the 2021 Italian Budget Law. In this regard, please note that the higher amount of DTAs recognized in 2021 is of approximately Euro 178 million.
- For Euro 117.5 million resulting from the estimated tax loss for the 2021 tax period, with future taxable income, in accordance with the probability test outcome.

3. Risks, uncertainties and impacts generated by the Covid-19 epidemic

Nearly two years after the outbreak of the Covid-19 pandemic, its impacts and effects on public health, economic activity and trade continue to affect the present and forward-looking scenario in which Credito Valtellinese operates and will operate. In 2021 the macroeconomic scenario gave some positive signs, with strong growth as several restrictive measures were lifted and vaccination spread; trade went back to its pre- pandemic levels, but later on in the year the spread of new variants (Delta and Omicron), tensions in the procurement of commodities and intermediate inputs, partly associated with the very fast growth, which caused "bottlenecks" throughout the value chains worldwide on the supply side along with the considerable increase in the prices of several commodities slowed down investments and production and contributed to boosting inflation globally.

Albeit in this very complex scenario still featuring deep uncertainty on the time to and features of recovery in productive activities, on the extent and duration of the measures deployed by Governments to provide support to households and businesses and the EU monetary policy adjustments, the analyses performed by the governance bodies using the available information gave evidence that Credito Valtellinese will be able to meet the risks and uncertainties caused by this scenario.

The assessment giving evidence of the Bank's ability to continue as a going concern is based on the capitalization it has reached, its present liquidity and the healthy and prudent management that has always been a distinctive feature of the CAI Group, ensuring steady development through sustainable growth strategies.

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which Credito Valtellinese will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of Credito Valtellinese's assets.

The macroeconomic forecasts and the measurement models used were prepared before the worsening in the geopolitical tension that led to the military invasion of Ukraine by Russia. That event is an uncertainty factor for the developments in the macroeconomic scenario in which Credito Valtellinese will have to operate. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified and that may impact on the estimates and assumptions used to prepare the 2021 annual report and financial statements.

In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period.

Many were the accounting-related communications and measures issued by the various Supervisory Authorities, which gave recommendations on disclosures and transparency expected of financial institutions on the consequences of the Covid-19 pandemic; the list presented in section 2 of this Notes to the financial statements contains the main communications and interpretations, which were referred to in preparing the annual report and financial statements.

In its public statement "European common enforcement priorities for 2021 annual financial reports", published on 29 October 2021, ESMA emphasized once again the importance of the oversight that management and supervisory bodies of issuers must ensure in the quality of financial reporting, with special focus on:

- Impacts generated by the Covid-19 pandemic.
  Given the pandemic persistence and the volatile recovery in many sectors of the economy, ESMA calls for a careful assessment of the longer term impacts of the Covid-19 pandemic on issuers' activities, financial performance, financial position and cash flows. In this regard, ESMA reiterates many aspects of the message it gave in its 2020 statement about the importance of the information given in the financial reports on the going concern assumptions, (time horizon of at least 12 months), significant judgements expressed by the management, the uncertainty of estimated impairment of assets and recognition of DTA for tax losses.
- Calculation of the Expected credit loss for financial institutions and exposure staging
  Higher disclosure than provided in the 2020 financial reports is expected in the representation of the ECL calculation models regarding management overlays, as per IFRS 7: adjustments of internal inputs to the model or post-model adjustments must be appropriately represented in terms of both their application logics and quantitative effects on exposure coverage and staging. ESMA confirms its expectation that extensive disclosure be given of any material changes in measurement approaches and assumptions vs. the previous period, explaining the reasons for said changes, in order to ensure that developments in loss allowance be understood.
  In compliance with FRS 7, ESMA reminds issuers to disclose the basis for inputs (qualitative and quantitative factors) and assumptions and the estimation techniques used to determine whether a significant increase in credit risk (SICR) has occurred; for exposures under support measures, issuers are expected to clearly explain how these measures have impacted the assessment of SICR.
  Lastly, as done for 2020 financial reports, ESMA encourages issuers to provide specific information on the judgements and estimates at the basis of the forward-looking scenarios, giving evidence of the main macroeconomic variables and related sensitivity.
- In the Statement, ESMA also emphasizes the importance of consistency between financial reports in accordance with the IFRS and non-financial statements (NFS), the climate-related risks issuers and their non- financial assets may be exposed to in the long term.

4. Covid-19 effects

To address the emergency experienced in 2020, the banking system has strengthened its policies for the monitoring, management and control of risks, especially of credit risk. The extraordinary measures deployed by Credito Valtellinese in favour of businesses and households ensured strong support to customers, while constant attention was paid to the credit quality of the originated loans and to the assessment of their recoverability. Given the impact of the crisis caused by the Covid-19 pandemic, as early as in 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis, also with new review processes supplementing ordinary ones. In 2021 the evolution in the situation related to the pandemic was monitored, assessing time by time any impacts on the main estimates. Reasserting the Group's commitment to providing tangible response and its will to stand by those Customers that have been worst hit by the health emergency, the program comprises solutions to ensure liquidity to all the Group's Customers, also through the measures laid down by Italian Liquidity Decree Law of 8 April 2020 and the law enacting it: In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 31 December 2021, Credito Valtellinese had participated in the origination of loans backed by state guarantees for an amount of approximately Euro 1.7 billion.

Covid-19 had impacts also on the management of lending practices. In fact, the Bank, in the face of the economic and social consequences of the health emergency, supported households and businesses in its regions, with initiatives of an extraordinary nature. In the form of moratoria and new liquidity relying also on public guarantees. It concomitantly started an effective monitoring scheme and a plan to assist enterprises in obtaining moratoria and to identify the appropriate actions to ensure return to normal at the expiry of the extraordinary measures.

Responding to the uncertainty generated by the scenario, the usual procedure to determine adjustments to performing and non-performing loans was adapted to the situation. In the models to determine forward-looking adjustments, more conservative macroeconomic scenarios were included than the ones obtained from the providers used by the Bank with subsequent preventive activation of the SICR threshold. Moreover, exposures to enterprises operating in the sectors hardest hit by the pandemic classified in Stages 2 and 3 were measured on a "stressed" basis. The adjustments to financial assets at amortized cost comprise said effects.

For more exhaustive information, please see Part E of the Notes to the Financial Statements.

5. Covid-19-related contract modifications

Contract modifications and derecognition (IFRS 9)

In March 2020, Credito Valtellinese started to give its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period. The offered suspension measures were progressively aligned with the applicable legislation ("Cure Italy" Decree Law and afterwards the "Support-bis Decree Law) and with the agreements between the Italian Banking Association and the trade associations, which the Bank immediately signed in order to ensure the utmost possible protection to its Customers. Therefore, Throughout 2021, Credito Valtellinese continued with the measures for payment suspension, both those provided for by the Italia Law and those under the agreements between the Italian Banking Association and Trade Associations. Customers in the Individuals segment could:

- Obtain, throughout the year, the suspension of payment of the full instalment for up to 18 months for home loans for primary residence (so-called Gasparrini Fund);
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only for 9 months (Italian Banking Association-Trade Associations Second Agreement).

On the other hand, Corporate Banking Customers could:

- Obtain the suspension of payment of the full instalment or of the principal repayment portion only up to 30 June 2021 ("Cure Italy" Decree Law) applying for the suspension by 31 January 2021;
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only (Italian Banking Association-Enterprises in Recovery 2.0).

Furthermore, the first extension was finalized concerning the moratoria under the "Cure Italy" Decree Law which were in force as at 31 January 2021 and as at 31 March 2021 (for the tourism sector), automatically postponing their expiry to 30 June 2021, unless the moratoria were specifically renounced by customers.

The second and last extension of the moratoria under the "Cure Italy" Decree applied to all the measures in force as at 30 June 2021 for which customers had explicitly applied for postponement of expiry to 21 December 2021.

The moratoria Credito Valtellinese offered to its Customers consisted in postponing the payment schedule (in case payment of the full instalment is suspended, the date of interest collection was also postponed), which caused no material impacts on the present value of the exposures under moratoria; therefore, applying modification accounting, no profits or losses resulting from said concessions have been recognized. Furthermore, the moratoria falling within the EBA Guidelines scope did not, as a rule, entail the classification of the exposure as forborne or its automatic classification in stage 2 with consequent calculation of the related lifetime expected loss. Consistently with the approach indicated by the ECB, the classification as Unlikely to Pay of Customers that benefited from moratoria was not based solely on their application for said concession, but also on forward-looking assessments of said positions, strengthening the monitoring processes on priority portfolios.

Because of the selective extension of the suspension of bank loan repayment, in 2021 moratoria were reclassified as either compliant or non-compliant with the EBA guidelines, based on whether the overall duration of repayment suspension exceeded nine months. The tables in Part B and Part E of this Notes to the financial statements, as required under the 2021 update of Bank of Italy Circular no. 262, show the stocks as at the reporting date.

As at 31 December 2021, the loans under moratoria amounted to Euro 370 million.

The accounting treatment of said concessions in favour of Customers was in accordance with the reference regulatory framework defined by the documents issued by the Regulator, and specifically by the EBA, in 2020 and therefore already applied in preparing the annual report and consolidated financial statements as at 31 December 2020.

Given the crisis, the monitoring processes on priority portfolios have been strengthened. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends.

In order to forestall any potential latent risk situation, as done at the end of previous FY, Credito Valtellinese applied a stressed measurement approach to the positions potentially most at risk of impairment because of the pandemic crisis. Within the cluster of positions classified as Stage 2, the product sectors considered to have "higher Covid-19 risk" were selected and prudential adjustments were made in the determination of the related provisions, calculated using the forward-looking expected loss model required by IFRS 9.

The quantitative analysis of the perimeter of forborne exposure and of the post-model adjustment impacts is reported in Part E of this Notes to the financial statements.

IFRS 16 – Covid-19-related concessions

Credito Valtellinese did not apply the *practical expedient*.

6. Other information

Audit of the accounts

On 18 June 2021, the General Meeting of Shareholders resolved to assign the statutory audit of the accounts and related services for the 2021-2029 period to PricewaterhouseCoopers S.p.A.

Therefore, the 2021 annual report and consolidated financial statements were audited by PricewaterhouseCoopers S.p.A.

Publication of the Annual Report and Financial Statements

The Board of Directors approved the draft Annual Report and Financial Statements as at 31 December 2021 of Credito Valtellinese and authorized their publication on 17 March 2022, pursuant also to IAS 10.

Publication of the Annual Report and Financial Statements in ESEF

Directive 2013/50/EU – amending Directive 2004/109/EC (so-called "Transparency Directive") laid down that, as of 1 January 2020, the Annual Reports and Consolidated Financial Statements of issuers whose securities are admitted to trading on a regulated market, shall be prepared in a single communication electronic format. Considering the difficulties that enterprises faced because of the Covid-19 pandemic, the Directive on transparency was amended giving the Member States the power to postpone the aforementioned obligation. With the so-called "Milleproroghe" Decree Law, Italy exercised said power and established that the ESEF Regulation would apply, for Italian companies "to the financial reporting for periods starting on or after 1 January 2021".

Nonetheless, Credito Valtellinese qualifies for the exemption under Article 83 of CONSOB Issuer Regulation, which reads "*Obligations for the preparation and publication of financial reports as envisaged in article 154-ter of the Consolidated Law shall not apply to: (…) b) issuers whose home Member State is Italy, which exclusively issue debt securities listed on a regulated market whose unit par value comes to at least 100.000 Euros, or an equivalent value in the event of currencies other than the Euro*. (…)".

For this reason, the Annual Report and Consolidated Financial Statements of Credito Valtellinese as at 31 December 2021 will not be published in ESEF format.

Option for the Italian national tax consolidation

In accordance with article 2359 of the Italian Civil Code, the subsidiaries have exercised the option, along with Credito Valtellinese, to be subject to group IRES tax for a three-year period pursuant to Article 117, paragraph 1 of the Income Tax Consolidation Act, and comply with the regulations that govern its implementation between the parties. All the member entities that are subject to group taxation shall file their tax returns in accordance with standard terms while the consolidating is responsible for preparing and filing the consolidated tax return and pay the group tax. The consolidated entities shall cooperate with the consolidating entity, providing it with all relevant information in order to meet tits he obligations to the financial authorities

In exchange for tax losses, transfer of tax credits that may be offset, tax assets for taxes paid abroad by the consolidated entities and consolidation adjustments, the consolidating entity shall recognize amounts equal to the actual tax benefit obtained by the tax group.

Should the control requirement cease to be met before the end of the three-year period as regards one or more consolidated entities, the consolidating entity shall make the changes to its income under Article 124, paragraph 1 of the Italian Consolidated Act on Income Taxes. Should the option for the tax consolidation not be renewed, the entities concerned shall make a payment on account of their income taxes as per the communication under Article 121 of the Italian Consolidated Act on Income Taxes. In that case, tax credits the refund of which has been applied for, the surplus carried forward and the tax losses as per the group income tax return shall remain with the consolidating entity.

The consolidating entity shall be exclusively liable to the Financial Administration for any higher tax due assessed on the group total income as per the tax consolidation tax return and for any other amounts and obligations laid down by Article127, paragraph 1 of the Italian Consolidated Act on Income Taxes.

On the other hand, the individual entities shall be jointly liable with the consolidating entity for any higher tax amount due and for interest. In 2021 no changes occurred in the perimeter of the member entities of the tax consolidation scheme of which Creval S.p.A. is the consolidating entity.

Option for the VAT Group

In September 2021, Creval exercised the option, with effects as of 1 January 2022, to join the VAT Group of Crédit Agricole Italia pursuant to Article 1 paragraph 24 of Italian Law no. 232 of 11 December 2016 was exercised, with effects as of 1 January 2022; the VAT Group includes the subsidiaries of Crédit Agricole Italia having, at the same time, financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.

Crédit Agricole Italia is the Group's Representative Member. Subsequent to some mergers by absorption and to the entry of anew entities, the perimeter of the VAT Group, initially of 15 entities, consisted of 11 entities of the Group as at 31 December 2021. Thanks to this scheme, the member entities operate, for VAT purposes, as a single taxable person in their transactions with external companies, with a single VAT registration number. The main advantage generated by the exercise of this option is that, in general, the transactions between the Group member entities are not subject to VAT.

A.2 PART REPORTING ON THE MAIN FINANCIAL STATEMENT ITEMS

The IAS/IFRS that were adopted for the preparation of the annual report and consolidated financial statements as at 31 December 2021 are given below broken down by financial statement item, having regard to classification, recognition, measurement and derecognition of asset and liability items, as well as the methods to recognize revenues and costs. Said standards are the same ones used for the preparation of the annual report and consolidated financial statements as at 31 December 2020.

FINANCIAL INSTRUMENTS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:

1. Classification and measurement of financial instruments;
2. Impairment of exposures for credit risk deterioration;
3. Hedge accounting, excluding macro hedging.

Credito Valtellinese exercised the option given within the IFRS 9 first-time adoption to continue to fully apply IAS 39 on hedge accounting, pending the application of the future provisions contained in the new“dynamic risk management accounting model”.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

The IFRS 13 definition of fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method for debt instruments or at fair value. Derivative instruments shall always be measured at fair value.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition, including the transaction costs that are directly attributable to its acquisition or issue, minus principal repayments, plus or minus the cumulative amortization calculated using the effective interest (EIR) method of any difference (discount or premium) between that initial amount and the maturity amount. In case of a financial asset measured at amortized cost or at fair value through other comprehensive income, its amount may be adjusted, where necessary, as impairment.

The effective interest rate (EIR) is the rate that discounts the estimated future cash flows (paid or collected) from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:

- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost; (for debt instruments only);
- Financial assets at fair value through equity (with recycling to profit or loss for debt instruments, without recycling to profit or loss for equity instruments).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:

- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- Equity instrument.

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI test"), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to order to pursue a set corporate objective, thus representing the strategy of the Bank in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

There are three business models:

- Hold to Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity; however, any sale of the assets is subject to restrictions in terms of frequency and significance. Sales may be carried out in the financial year below a materiality threshold.
- Hold to Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted.
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of securities are allowed for the following reasons:

a) Increase in credit risk;

b) Debt instruments close to maturity;

c) The sales are frequent but not significant;

d) Infrequent sales.

Specifically:

a) Sales allowed due to an increase in credit risk

Credito Valtellinese has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met:

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

- Market indicators:
- Material increase in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
- Material evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) Sales permitted as the debt instruments are close to maturity

Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

- Time to maturity considered admissible of 6 months;
- A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking fair value hedge effects into account).

c) c) Frequent but not significant sales

Sales may be carried out in the financial year not exceeding 15%.

d) Infrequent sales

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact in terms of higher tax expenses;
- Non-recurring transactions (i.e. mergers, sales of business units and, in general, any other non-recurring
- transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

Sales of loans are allowed for the following reasons:

- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- The sales are frequent but not significant;
- Infrequent sales that are potentially significant.

Specifically:

a) Sales allowed due to an increase in credit risk

Credito Valtellinese has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

b) Sales permitted as the loans are close to maturity

The sales of loans in the Hold to Collect portfolio shall be allowed if all the following criteria set by Credito Valtellinese are met:

- The financial assets to be sold have residual life of less than 6 months;
- The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
- The difference between the sale price and the amortized cost of the loan shall not be higher than 3% without taking into account fair value hedge effects.

c) Frequent but not significant sales

In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) Infrequent sales

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for Credito Valtellinese;
- Non-recurring transactions (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

The contractual characteristics ('Solely Payments of Principal & Interest' or SPPI test):

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a «look-through» approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the SPPI test can be presented with the chart below:

Debt instruments		Management models		
		HTC	HTCS	HTS
SPPI testing	Passed	Amortized cost	Fair value through equity with recycling to profit or loss	Fair value through profit or loss
	Not passed	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

Debt instruments at amortized cost

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of loans, receivables and fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph “Impairment for credit risk”.

Debt instrument at fair value through equity without recycling to profit or loss

Debt instruments shall be measured at fair value through equity with recycling through profit or loss if they are eligible for the HTC&S model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs. The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling through profit or loss) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to value adjustments for expected losses in accordance with the criteria set forth in the specific paragraph “Impairment for credit risk” (without any resulting impacts on the fair value on the balance sheet).

Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:

- The instruments are classified in the portfolio held within the Other Business Model (or financial assets held for trading or held with the main objective of selling them): financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from price fluctuations in the short-term or from the profit of the operator. Although contractual cash flows are collected in the period in which the Crédit Agricole Italia Banking Group holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the SPPI test requirements. This is for example the case of O.I.C.R. collective investment undertakings (open-end funds and closed-end funds);
- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

Debt instruments in this category are recognized as their settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss (FVTPL) unless an irrevocable option for their measurement at fair value through equity (in this case “without recycling”) is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). These assets are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet.

Equity instrument at fair value through equity without recycling to profit or loss (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity (without recycling to profit or loss) may be exercised for each single transaction and shall apply as of the date of initial recognition. These financial instruments are recognized at their settlement date. The initial fair value includes transaction costs.

- At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss if:

- The entity's right to collect their payment is set;
- It is likely that the economic benefits associated with the dividends will go to the entity;
- The dividend amount can be reliably measured.

Reclassification of financial assets

In the very few cases of a significant change in the business model used for managing financial assets (which, in accordance with the standard, may occur new activity, acquisition of entities, disposal or discontinuation of a business line), a reclassification of these financial assets is necessary.

In such cases, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

Where any ”Financial assets measured at fair value through profit or loss” is reclassified under “Financial assets measured at amortized cost”, the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for credit risk staging in order to estimate impairment. Where the financial asset is reclassified under “Financial assets measured at fair value through other comprehensive income”, the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss. If the financial asset is reclassified from measured at amortized cost to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, accumulated profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification. If the entity reclassifies a financial asset to measured at fair value through profit or loss, the financial asset shall continue to be measured at fair value. The cumulated profit (loss) previously recognized in the other component of comprehensive income shall be reclassified from equity to profit b(loss).

Reclassification is not allowed for equity securities.

Temporary investments in/disposals of securities

Temporary disposals of securities (loans of securities, securities disposed of under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or group of financial assets) is fully or partially derecognized if:

- The contractual rights to the cash flows from the financial asset expire;
- The contractual rights to the cash flows from the financial asset are transferred or are deemed as such because they belong de facto to one or more beneficiaries and when substantially all the risks and rewards of the financial asset are transferred.

In this case, any rights or obligations in force at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but some of the risks and rewards of ownership as well as control are retained, the financial assets continue to be recognised to the extent of the entity’s continuing involvement in the asset.

Furthermore, impaired financial assets may be derecognized when the entity can no longer reasonably expect to recover the financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim. In this case, the gross nominal value of the loan remains unchanged, but its gross book value is written down by the write-off amount . The write-off may concern the entire amount of a financial asset or part thereof and is equal to:

- The reversal of total value adjustments as the balancing item of the financial asset gross value;
- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any amounts collected after the write-off are recognized in the income statement as recoveries.

Any changes in the fair value of this portfolio are recognized through profit or loss.

2. FINANCIAL LIABILITIES

Financial liabilities are classified on the balance sheet in the two accounting categories given below:

- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss by their nature

Financial instruments issued primarily to be bought back in the short term, instruments belonging to an identified portfolio of financial instruments which are managed collectively and for which there is evidence of a strategy pursuing short-term profit-taking, and derivatives (with the exception of certain hedging derivatives) are measured at fair value by their nature.

Any changes in the fair value of this portfolio are recognized through profit or loss.

Financial liabilities designated at fair value through profit or loss

Financial liabilities fulfilling one of the three conditions defined by the standard (and described above) may be designated for measurement at fair value through profit or loss: for hybrid issues comprising one or more separable embedded derivatives, in order to reduce or eliminate the distortion of accounting treatment, or in the case of groups of managed financial liabilities for which performance is measured at fair value.

This designation option is irrevocable and applies mandatorily from the date of initial recognition of the instrument.

Upon subsequent measurement, these financial liabilities are measured at fair value through profit or loss for changes in fair value not related to own credit risk and with balancing item through equity without recycling to profit or loss for value changes related to own credit risk.

Financial liabilities measured at amortized cost

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt - equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:

- provide another entity with cash, another financial asset or a variable number of equity instruments;
- Exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:

- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be change through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR. This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for- trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value. At each reporting date, the fair value changes on derivative contracts shall be recognized:

- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:

- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under ”financial assets measured at fair value through profit or loss”.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:

- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Changes in fair value of financial assets or liabilities at fair value through profit or loss;
- Realized gains and losses on disposal of financial assets at fair value through profit or loss;
- Changes in fair value and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through equity

For financial assets recognised at fair value through equity, this item notably reports the following income statement elements:

- Dividends from equity instruments classified as financial assets at fair value through equity without recycling to profit or loss;
- Gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets at fair value through equity with recycling to profit or loss;
- Net income on disposals or associated with the termination of fair value hedging instruments of financial assets at fair value through equity when the hedged item is sold.

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as assets at fair value through profit or loss or that are not considered derivative instruments in accordance with IFRS 9 are recognized based on the best estimate of the obligation and require provisioning in compliance with IFRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor's failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:
- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

In accordance with IFRS 9, financial assets not measured at fair value through profit or loss and adjustments shall be determined based on the expected loss over the next twelve months and, if any significant increase in credit risk vs the initial recognition date occurs, based on the expected loss determined over the remaining lifetime of the financial instrument. Financial instruments shall be classified in different stages:
- Stage 1 comprises performing financial instruments for which no evidence has been found of any significant increase in credit risk vs. the date of their initial recognition. Impairment is determined collectively based on the expected loss over the next year (12 months -expected credit loss);
- Stage 2 comprises performing financial instruments for which significant increase in credit risk has been found vs. the date of their initial recognition. Impairment is determined collectively based on the expected loss over the residual life of the instrument (lifetime expected credit loss);
- Stage 3 comprises non-performing financial instruments. Impairment is determined individually based on the expected loss over the residual life of the instrument (lifetime expected credit loss);

Stage 3 comprises non-performing financial instruments classified in accordance with the rules laid down by the Bank of Italy, consistently with the IAS/IFRS and with the EU Supervision rules, as outlined below:
- Bad loans: loans: on- and off-balance-sheet exposures to insolvent customers (even if they have not yet been legally acknowledged as such) or customers in similar positions, regardless of any expected loss formulated by the bank; exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded;
- Unlikely to pay: on- and off-balance-sheet exposures whereby the debtor is assessed by the bank as unlikely to pay its credit obligations in full (for the principal and/or interest) without realisation of collateral, regardless of the presence of any due and not paid amounts (or instalments;
- Non-performing past due: on-balance-sheet exposures other than those classified as bad or UTP, which, as at the reporting date, are past due or overlimit for over 90 days. Regarding the methods to calculate past due loans, the debtor approach is used on all the portfolio positions.

Credito Valtellinese identified the main elements for the transition from the first to the second stage. Specifically, reference is made to the change in the default lifetime probabilities as compared to the initial recognition of the financial instrument determined by the credit quality of each individual relation on each measurement date; moreover, the possible presence of a past due of at least 30 days and/or of forbearance measures were considered, presumptively, to be indicative of a significant increase in credit risk and involve the transition to the second stage For some categories of exposures, the low credit risk exemption was used; based on this, the exposures in question were deemed in the first stage, since as of the date of transition/ recognition they had a rating equal to or greater than investment grade.

To determine the expected credit loss with reference to financial assets represented by securities, external providers were used, with the exception of corporate securities for which internal ratings are used where available. External providers are also used with reference to credit exposures to banks and financial companies not represented by securities Moreover, the FIFO method was used to calculate the reversal to the Income Statement of the expected loss recorded in case of sales.

To determine the expected credit loss with reference to financial assets classified in the first or second stage and other than those indicated above, specific models were created, based on those used for the definition of internal ratings, for calculating the 12 month expected credit loss and the lifetime expected credit loss. The calculation of expected losses includes forward looking information linked, among other things, to changes in the macroeconomic scenario. With reference to this last aspect, also in consideration of the proportionality criterion, the Group uses the Most likely scenario+add on approach. This approach envisages determining the expected loss in the baseline scenario considered the most probable and used for other purposes (for example, for budget and planning purposes) to which an add on was added to reflect the effects of the possible non- consistency of the expected credit loss compared to macro-economic scenarios.

With reference to the expected credit loss of financial assets classified in the third stage, the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the loan. The estimated cash flows take account of the guarantees associated with the loans In the event that the guarantees are not likely to be enforced, account will be taken of either their present value or their realisable value net of expenses to be incurred to recover the amount due The impairment loss is calculated analytically on individual loan positions, with the exception of non-performing loans classified as bad and unlikely to pay that have a limited unitary amount and for past due non-performing loans for which the expected loss is calculated by homogeneous categories according to internal statistical models and analytically applied to each position The assessment of exposures in stage 3 also includes forward-looking factors that adapt the weighed-up probabilities of occurrence of the different future scenarios. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non- performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement Therefore, the expected loss of potentially transferable non-performing loans is defined on the basis not only of the forecast of the recoverable flows through internal management, but also of the forecast of the recoverable flows through their possible sale on the market.

For further information, please see Part E.

Contract modifications of financial assets

When the original contractual conditions are modified by the parties, it is to be verified whether the financial asset shall continue to be recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Bank did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by the bank of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by the bank in its income statement subsequent to the alignment to the current market conditions that are more favourable for its custom.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between said value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition (“modification accounting”).

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances. This concerns all debt instruments, irrespective of the category the security has been classified into based on the deterioration in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion). The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:

- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

"Contract modifications" are, for example, situations in which:

- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of the Bank, having similar risk profiles, could have obtained at that moment in time.

"Refinancing" means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the "restructured/forborne" status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring.

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:

- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

Upon impairment, the portion regarding the passage of time shall be recognized under net interest income.

Purchase or Originated Credit Impaired

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as "Purchased or Originated Credit Impaired Assets" ("POCI" assets) and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:

- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the "credit-adjusted effective interest rate" ("Credit Adjusted EIR") or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General framework

In compliance with the decision made by the Crédit Agricole Group, Credito Valtellinese has not applied the "hedge accounting" section of the IFRS 9, exercising the option given by the IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS 9.

In accordance with IFRS 9 and with the IAS 39 hedging principles, eligible fair value and cash flow hedges are debt instruments at amortized cost and at fair value through equity with recycling to profit or loss

Hedging interest rate risk has the objective of immunizing Credito Valtellinese's banking book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

Documentation

Hedging relationships shall comply with the following principles:

- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);
- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a floating-rate debt);
- Hedges of net investments in foreign operations have the purpose of protecting the entity against the risk of any unfavourable change in fair value associated with the foreign exchange risk within an investment in foreign operations in a currency other than the Euro.

When an entity intends to use hedges, the following conditions shall be met in order to benefit from hedge accounting:

- Eligibility of the hedging instrument and of the hedged instrument;
- Formalized documentation since inception, specifically including the individual designation and the characteristics of the hedged item, of the hedging instrument, the type of hedging relationship and the nature of the hedged risk;
- Evidence of the hedge effectiveness, at inception (i.e. prospectively) and retrospectively, through tests made at each reporting date.

Measurement

The measurement of the derivative at fair value is recognized as follows:

- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;
- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Accumulated profits and losses through equity are then recycled to the income/through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:

- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity (other comprehensive income); for hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged element affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of the hedged items;

- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

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

CLASSIFICATION

This category comprises the financial assets not classified as "Financial assets measured at fair value through other comprehensive income" or as "Financial assets measured at amortised cost".

The "Financial assets measured at fair value through profit or loss" item consists of three sub-items:

a) "Financial assets held for trading": this category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the "Other" Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);

b) "Financial assets designated at fair value": this category consists of financial assets (debt securities and loans) so designated upon initial recognition and where the related requirements are met (fair value option). As regards this category, an entity may irrevocably designate a financial asset at fair value through profit or loss if, and only if, by doing so it removes or materially reduces any measurement inconsistency;

c) "Financial assets mandatorily measured at fair value", consisting of the financial assets that are managed with the Business Model is "Hold to Collect" or "Hold to Collect and Sell", but that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These are financial assets that do not pass the SPPI test, as their contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding, or that are managed under the "Other" business model but are not held for trading. This category reports also units in OICR collective investment undertakings and equity securities that are not held for trading, for which, at first recognition, the entity did not exercised the option to classify them at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their disbursement date. Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, "Financial assets measured at fair value through profit or loss" are stated at fair value. IFRS 13 defines the fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

For equity securities and derivative instruments that have equity securities as underlying assets, not quoted in an active market, the cost approach is used as the fair value estimate only to a residual extent and limited to very few cases, that is to say when there is a wide range of possible fair value measurements of which cost is the most significant estimate.

The effects of the application of said base of measurement are recognized through profit or loss under item "80. Net profit (loss) on trading activities" for "Financial assets held for trading" and under item "110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss" for "Financial assets designated at fair value" and for "Financial assets mandatorily measured at fair value". The same items report the derecognition of such financial assets. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

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

CLASSIFICATION

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

- The financial asset is managed in accordance with the "Hold to Collect and Sell" Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test.

Therefore, this category includes debt securities and loans that are managed in accordance with the "Hold to Collect and Sell" Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their origination date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 “Other information - Amortized Cost Measurement”. Profits and losses on fair value measurement are recognized in a specific equity reserve (item “120. Valuation reserves”), which shall be recycled to the income statement (item 100.b “Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

These adjustments are recognized in the Income Statement under item “130. Net losses/recoveries for credit risk”, as the balancing item of the specific valuation reserve in equity (item “120. Valuation reserves”); the same applies, in a mirror-like way, to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item “120. Valuation reserves”). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the cumulative balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item “150. Reserves”). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for “Financial assets measured at fair value through profit or loss”. For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”..

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans, that meet both the following conditions:

- The financial asset is managed in accordance with the “Hold to Collect” Business Model whose objective is achieve by collecting the contractual cash flows;
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test.

More specifically, this category includes loans to customers and banks - in any technical form - and debt securities that meet the requirements referred to above. This item also reports finance lease loans under FRS16.

This category also includes operating loans and receivables linked to the provision of financial services, as defined by the Italian Consolidated Law on Banking (T.U.B.) and by the Italian Consolidated Law on Finance (T.U.F.) (e.g. for the distribution of financial products and servicing activities).

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt securities and, as regards loans, at their origination date. This asset item reports separately:

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their origination date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan disbursement date.

Loans and receivables are initially recognized at their fair value that is is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time. The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

Repurchase agreements or reverse repurchase agreements are recognized as lending transactions. Specifically, repurchase agreements and reverse repurchase agreements are recognized as receivables for the spot amount.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition, these financial assets are measured at amortized cost using the effective interest rate method.

Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information - Amortized Cost Measurement”.

The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans. These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.

The book value of financial assets at amortized cost is adjusted in order to report expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).

The bases of measurement applied are described in paragraph "Financial instruments (IFRS9, IAS 39 and IAS32) – Impairment for credit risk)" of Part A.2 Accounting policies of this Note.

The model of impairment (provisioning) for credit risk comprises:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee…), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the lifetime expected credit losses;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall in no event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item "10. Interest and similar income" are calculated based on amortized cost. The same item reports interest income due to the passage of time, calculated within the measurement of non-performing financial assets based on the original effective interest rate.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:
- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).
- The contract undergoes modifications that qualify as "substantial". In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

4. Hedging

In compliance with the decision made by the Crédit Agricole Group, Credito Valtellinese has not applied the "hedge accounting" section of the IFRS 9, exercising the option given by the IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS 9.

CLASSIFICATION

The “Hedging Derivatives” asset and liability items report financial derivatives held for hedging, which, as at the reporting date, have positive or negative fair values, respectively.

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk, should the risk event take place.

The following types of hedges are used:

- Fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, which was endorsed by the European Commission;
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans;
- Hedge of an investment in a foreign currency:

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and measured at fair value.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value. Specifically, in case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument. This offsetting is recognized in the Income Statement under item “90. Net profit (loss) on hedging activities” by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect through profit or loss.

Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans; Changes in the fair value of the derivative are recognizes in equity (item “120. Valuation reserves”), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item.

Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.

The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life. The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the actual effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge. Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% - offset changes in the value of the hedged item for the hedged risk factor. Effectiveness is assessed at every reporting date, using:

- Prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;
- Retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances that are expected to return to normal as confirmed by prospective tests is not taken into account.

DERECOGNITION

It the hedge effectiveness is not proved by the verifications and tests carried out, from that time on hedge accounting, as described above, shall be terminated, the derivative contract shall be reclassified to "Financial assets measured at fair value through profit or loss" and, specifically, to "Financial assets held for trading".

In case of fair value hedges, the hedged item is measured with the original measurement approach of the category it belongs to; for instruments measured at amortized cost, any accumulated recoveries/losses recognized subsequent to the fair value change of the hedges risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate. If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Furthermore, the hedging relationship terminates when:
- The derivative matures, is terminated or exercised;
- The hedged item is sold, matures or is repaid;
- The hedged future transaction is no longer highly probable.

5. Equity investments

This item reports equity investments held in associates and joint ventures that are recognized using the equity method.

Joint ventures are companies in which the voting rights and the control of its business activities are shared equally, directly or indirectly, between the Parent Company and another party. Joint arrangements also include equity investments in which, despite the lack of equal voting rights, control over the business activities and the strategic policies of the investee company is shared with other parties under contractual agreements.

Associates are companies in which Credito Valtellinese exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including "potential" voting rights that may be exercised) or having the power to participate in determining its financial and management policies, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders' agreement.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognized.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Equity investments are measured using the equity method. After initial recognition, the carrying amount of the financial asset is increased or decreased in order to recognize the portion of profit and losses of the investees attributable to Credito Valtellinese and realized after the equity investment acquisition, as the balancing item of the Consolidated Income Statement item "250. Profit (losses) on equity investments". Dividends received from an investee are recognized as a reduction in the book value of the equity investment.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking into account the present value of future cash flows that the equity investment could generate, including its value upon divestment.

If the recoverable value is lower than the book value, the difference is recognized in the Income Statement. If the reasons for the impairment are removed subsequent to an event occurred after the impairment loss recognition, a writeback is taken to the Income Statement.

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.

In case significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with the IFRS 9.

6. Property, Plant and Equipment

CLASSIFICATION

"Property, plant and equipment" includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type, works of art and property, plant and equipment inventories governed by IAS 2.

These assets are held to be used in production or supply of goods and services (property, plant and equipment used in operations in accordance with IAS 16), to be rented out to third parties or for investment purposes (investment property governed by IAS 40) and are intended to be used for longer than one period.

This item also reports the rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

"Property, plant and equipment" items are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Description	Duration
Land	No depreciation
Operating property	33 years(1)
Other investment property	
- Other	33 years(1)
– Property inventories (IAS 2)	No depreciation
Furniture, fittings, alarm systems and vehicles	From 4 to 8 years
Computers and electronic equipment	From 3 to 8 years
Works of art	No depreciation

(1) It is specified that, in few specific cases and for specific property units, their useful life, appropriately calculated, may have different duration.

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined.

Properties are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets' remaining useful life is verified on a regular basis.

The depreciation cost for property, plant and equipment is recognized in the Income Statement in the item "210 Net adjustments of/recoveries on property, plant and equipment".

The following assets are not depreciated:

- land, whether acquired separately or incorporated in the value of the building, since it has an indefinite useful life. Where its value is incorporated in the value of the building, under the components approach, the land is considered separable from the building. The division between the value of the land and the value of the building is based on appraisals by independent experts, for buildings entirely owned by, and, therefore, fully available to the Company, including the land;
- Property, plant and equipment inventories governed by IAS 2 and measured at the lower between cost and fair value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's book value is compared to its recoverable value. For more exhaustive reporting, please refer to paragraph "16 Other Information – Method to calculate impairment losses – Other non-financial assets".

Any adjustments are recognized in the Income statement under item "210 Net adjustments of/recoveries on property, plant and equipment".

If the reasons for impairment cease to exist, a writeback is recognized. The book value following the writeback shall not exceed the value the asset would have had, net of depreciation, in the absence of the prior writedown.

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or with licence for use;
- In-house developed software.

RECOGNITION

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the income statement in the FY it is incurred.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any accumulated impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life, such as software, are amortized over their useful life and are tested for impairment every time signals of possible impairment are detected. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year. Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets occur, are recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in the item "220 Net adjustments of/recoveries on intangible assets". Software useful life is estimated as being five years.

DERECOGNITION

Intangible assets are derecognized from the Balance Sheet when disposed of or when no future economic benefits are expected to be generated by the asset.

Profits or losses resulting from the derecognition of intangible assets are calculated as the difference between the net disposal revenue and the book value of the intangible asset and are recognized in the income statement for the year in which the derecognition is made.

8. Non-current assets/liabilities held for sale and discontinued operations

CLASSIFICATION, RECOGNITION AND MEASUREMENT

“Non-current assets held for sale and discontinued operations” and “Liabilities in respect of assets held for sale” report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable.

The assets are measured at the lower between their book value and their fair value net of costs to sell, except for some types of assets (e.g. financial assets in the scope of application of IFRS 9) to which IFRS 5 specifically requires that the measurement bases under the relevant standard shall apply.

The related income and expenses, net of the related tax effects, are recognized income statement item “320. Profit (Loss) after tax from discontinued operations” in case of discontinued operations. The profits and losses from single discontinuing operations are recognized under the related Income Statement item. “Discontinued

operations” must be understood as an important self-standing part of business or geographical area of operations, also within a single coordinate divestment programme, or a subsidiary that has been acquired solely in order to be resold.

9. Current and Deferred Taxes

CLASSIFICATION, RECOGNITION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

Provisions for income taxes are calculated on the basis of forecasts of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary differences – without time restrictions – between the value attributed to an asset or a liability pursuant to the Italian Civil Code and the corresponding values used for tax purposes.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, relating to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely and after the probability test, which is to be run on a yearly basis, in accordance with IAS 12.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

Deferred tax assets and liabilities are recognized in the Balance Sheet with open balances without any offsetting, the former under the “Tax Assets” item, the latter under the “Tax Liabilities” one.

Deferred tax assets and liabilities are systematically measured to reflect any changes in tax regulations or rates, as well as in any other situation specifically applying to the Company. The effects are recognized in the Income Statement, except when these regard changes in the temporary differences in items for which accounting policies require recognition directly in equity, in which case the change in the deferred tax liability or asset is taken directly to equity.

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:

- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS AND SIMILAR OBLIGATIONS

The item reports provisions for benefits to be paid once they stop working for the bank for members of the Group pension fund for Credito Valtellinese employees. . A defined benefit plan is a post-employment benefit plan according to which the bank has the obligation to pay the Fund the benefit agreed.

The liability is determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates,

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under the item “Valuation reserves”.

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the “provisions for risks and charges” item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

The aggregate also includes provisions for risks and charges set up to cover other types of commitments and guarantees given that, by virtue of their specific characteristics, do not fall within the aforementioned scope of application of the impairment in accordance with IFRS 9.

Provisions are recognised in item “200. Net provisioning for risks and charges: a) commitments and guarantees given”.

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item “200. Net provisions for risks and charges” and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

The "Due to banks", "Due to customers" and "Debt securities issued" items report all forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments issued, less any amounts repurchased.

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

These financial liabilities are initially recognized upon the signing of the relevant contract, which is usually the date of receipt of the funds raised or of the issue of debt securities.

These financial liabilities are initially recognized at fair value, which usually is equal to the amount collected or the issue price plus any additional expenses/income that can be directly attributed to the single financing or issue transaction. Internal administrative expenses are excluded.

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS16.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, these financial liabilities are measured at amortized cost with the effective interest rate method. The result of the application of this method is taken to the income statement in item "20 Interest and similar expenses". Accrued interest income on financial liabilities is recognized, in accordance with its algebraic sign, under item "10 Interest and similar income".

This does not apply to short-term liabilities which are recognized in the amount collected since the time factor is negligible.

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Financial liabilities are also derecognized when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 "Net profit (loss) on sale or repurchase of financial liabilities".

12. Financial liabilities held for trading

CLASSIFICATION

This item reports derivative financial instruments held for trading which had a negative fair value.

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost that is equal to the instrument fair value, without taking into account any directly attributable transaction costs or income.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

All liabilities held for trading are measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”.

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item “80. Net profit (loss) on trading activities”.

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

The item reports financial liabilities at fair value, as defined at the time of initial recognition and where the IFRS 9 requirements are met. Specifically, reference is made to liabilities whose designation at fair value through profit or loss eliminates or significantly reduces an inconsistency in measurement (sometimes defined as “accounting asymmetry”).

Credito Valtellinese does not currently classify financial liabilities as designated at fair value.

14. Foreign currency transactions

RECOGNITION

Transactions in a foreign currency are initially recognized in the reporting currency by translating the foreign currency amount at the exchange rate in force on the date of the transaction.
Transactions in a foreign currency are initially recognized in the reporting currency by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

At each financial reporting date, foreign currency items are measured as follows:

- • Monetary items are translated at the exchange rate in force as at the reporting date;
- • Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- • Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity.

Conversely, when a profit or a loss is recognized in the Income Statement, the related exchange rate difference is also recognized in the Income Statement.

15. Insurance assets and liabilities

As the reporting date there were no assets or liabilities with insurance risks.

16. Other Information

TLTRO-III

On 6 June 2019, the Governing Council of the European Central Bank set the parameters for accessing TLTRO- III operations, including interest rates. According to the originally envisaged remuneration scheme, the transaction rate must be equal to the average of the main refinancing rates of the Eurosystem for the duration of the TLTRO-III. Moreover, there is the possibility of benefiting from a further rate reduction if a certain threshold of eligible net lending is exceeded between 1 April 2019 and 31 March 2021 compared to the benchmark net lending. For counterparties whose eligible net lending increases in the 12 months preceding 31 March 2019, the benchmark net lending is set to zero; for counterparties whose eligible net lending decreases in the 12 months preceding 31 March 2019, the benchmark net lending is set equal to this decrease. Given the Covid-19 emergency and its continuation, the Governing Council of the ECB revised the parameters several times. In particular, special periods have been identified for net lending from 1 March 2020 to 31 March 2021 (special reference period) and from 1 October 2020 to 31 December 2021 (additional special reference period).
With regard to the rate, a special interest rate period between 24 June 2020 and 23 June 2021 and another one between 24 June 2021 and 23 June 2022 have been identified for counterparties whose eligible net lending in the special periods is at least equal to their benchmark net lending levels, equal to the average deposit rate reduced by an additional 50 points.
To recognize interest expenses at the favourable conditions in the special interest rate period, the achievement of the benchmark net lending is verified through specific monitoring and forward-looking reports on lending. Interest is recognized, at the relevant time, based on the instrument interest rate for each period. Specifically, at a rate of -0.5% until 24 June 2020, of -1% until 23 June 2022 and -0.5% thereafter and until maturity based on the present rates.

LEASES

IFRS 16 “Leases” requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan for use contracts are in the scope of application of the new standard.

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a “Rights-of-use” approach (hereinafter “right of use” or “RoU”).

Therefore, for all leases in which it is the lessee, the reporting entity shall recognize the items listed below in its balance sheet:

- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

The following are recognized in the income statement:

- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on Operating margin);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

In case of any subsequent “finance” sublease of the asset, the related right-of-use asset is derecognized and the account receivable for the financial sublease is concomitantly recognized, amounting to the total contractual rent income discounted; any differences between the derecognized right of use and the recognized receivable shall be immediately taken to the income statement. During the remaining contract duration, interest expenses on the headlease liability and interest income on the finance sublease receivable are recognized in the income statement. In case of operating subleases, accrued rent income collected as the lessor is recognized in the income statement, continuing to recognize the headlease, the lease liability and the related effect on profit or loss. An intermediate lessor shall assess whether the sublease is a finance or operating lease within the scope of the asset consisting in the right of use rather than in the underlying actual asset.

Credito Valtellinese applied the exception provided for by the standard:

- Exclusion of short-term lease contracts, i.e. with duration of less than 12 months);
- Leases of low-value assets (lease contracts for assets with unit value of less than Euro 5 thousand).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document "Cloud Computing Arrangements" of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

IFRS16 keeps the distinction between operating leases and finance leases provided for by IAS 17.

17. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by the Crédit Agricole Italia Banking Group as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

For operating leases, the lease payments accrued are recognized under the "Other income" item.

TREASURY SHARES

Shares issued and repurchased are recognized as a direct reduction of equity. No profit or loss resulting from the purchase, sale, issue or cancellation of said instruments is recognized in the Income Statement. Any amount paid or received for said instruments is recognized directly under equity.

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:

- Cheques drawn to be settled
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item "110. Tax assets".

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy's "2007 Finance Act") and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The costs for the service are recognized under personnel costs and included accrued interest. Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve.

Having regard to the employee severance benefits accrued in the period, based on the choice made by the employees, the amounts are paid to supplementary pension schemes or to the treasury fund run by INPS (Italian National Social Security Institute) or paid out as an integral part of the remuneration for the pay period. The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENTS

Share-based payments are plans based on the grant of equity instruments in exchange for the service provided by the employee or a third party during the plan (IFRS 2).

Credito Valtellinese has plans in place that envisage the assignment of virtual shares and payment of benefits through cash settlement (cash-settled plan).. In this scope, the commitments undertaken are measured at the fair value of the liability and recognized as a cost based on the relevant portion of service provided at each measurement date. Until the liability is cancelled, the fair value is recalculated at the end of each reporting period and at the settlement date, with fair value changes recognised in the Income Statement under item "190. Administrative expenses: a) personnel expenses". The fair value is determined with reference to the equity instruments assigned and takes account of the terms and conditions indicated in the plan.

Conversely, any share capital increase in favour of the personnel, who can subscribe at a lower price than the market value, are recognized in the income statement recognizing the related increase in equity, based on the fair value of the financial instruments allotted at the allotment date.

Any reduction in the number of financial instruments awarded is reported as derecognition of a portion of such instruments.

REVENUE RECOGNITION

Revenue arising from contractual obligations with customers is recognised in the Income Statement if it is probable that the entity will receive the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer. The consideration for the transaction must be allocated to the contractual commitments and services and is recognised as revenue based on the timing for the fulfilment of the contractual commitments and obligations Revenues are recognized:

- At a specific point in time, when the entity fulfils its obligation to perform by transferring the promised goods or services to the customer;
- Over time, i.e. as the entity fulfils its obligation to perform by transferring the promised goods or services to the customer.

With reference to both timing and amount, revenues must be recognised on the basis of the following steps defined by IFRS 15:

- Identifying the contract with a customer: this contract is an agreement between two or more parties - written, oral or implicitly derived from the entity's usual commercial practices - that creates enforceable rights and obligations;
- Identifying of commitments and performance obligations under the contract: a contract can contain one or more obligations to do, understood as any promise to transfer to a customer goods or services (or a set of goods or services) that are distinct
- Determining the transaction price (estimated if necessary): the amount to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer; it can be a fixed or variable amount or include non-monetary components. With regard to the variable components, these can be estimated in order to come to the determination of the overall price of the transaction and are recognised only if they can be reliably estimated;
- Allocating the transaction price to the performance obligations in the contract: where a contract has multiple performance obligations, it is necessary to allocate to each performance obligation, i.e. to each distinct good or service, the amount that reflects the price at which the entity would sell the promised good or service separately to the customer;
- Recognising revenues when the entity satisfies a performance obligation: an entity recognises revenue when (or as) it satisfies the performance obligations; this is the case when an entity transfers the goods or services promised in the contract to a customer and the customer obtains control over them.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union. The relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund – SRF, managed by the Single Resolution Board – SRB. The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly ex-ante contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 2015/81, may be paid also with irrevocable payment commitments (IPC). Credit institutions were allowed to use such commitments for 15% of total contributions. However, to secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which may consist only of cash.

These contributions are recognized in the Income Statement under "Other administrative expenses".

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive - 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes. The Deposit Guarantee Scheme provides coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund. The Scheme requires member banks to give an ex-ante contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024. If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

These contributions are recognized in the Income Statement under "Other administrative expenses".

BUSINESS COMBINATIONS

Business combinations are recognized in accordance with IFRS 3 "Business Combinations".

This standard requires business combinations to be recognized using the "acquisition method" of accounting, based on which assets, liabilities and contingent liabilities of the acquiree are measured at acquisition-date fair value. Any portion of the price paid exceeding the acquisition-date fair values shall be recognized as goodwill or as other intangible assets; if the price is lower than acquisition-date fair value, the difference shall be taken to the Income Statement (badwill).

The "acquisition method" shall be applied from the acquisition date, i.e. the date on which control over the acquiree is actually obtained. Therefore, profit or losses of a subsidiary acquired in the period are reported in the Consolidated Financial Statements starting from the date of its acquisition. Conversely, profit or losses of a subsidiary sold in the period are reported in the Consolidated Financial Statements up to the date on which control is transferred

IFRS 3 does not apply to business combination transactions between parties under common control. In the absence of specific indications envisaged by other IAS/IFRS international accounting standards, IAS 8 requires that the company must make use of its own judgement when applying an accounting standard to be adopted for the purpose of providing relevant, reliable, prudent disclosure that reflects the economic essence of the transactions. These types of business combinations, usually achieved as part of company reorganisations, are recorded by preserving the continuity of the values of the acquiree in the financial statements of the acquirer. In particular, the acquired assets and liabilities were recognised at the amounts resulting from the consolidated financial statements.

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Notes to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies. Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as quoted. Otherwise, all securities, derivatives and hedge funds that do not belong to the above categories are not considered as traded on an active market.

For financial instruments traded on active markets, the price is used which is defined as "official", as at the closure of the reference period.

In the case of financial instruments for which the bid-ask spread is immaterial, or for financial assets and liabilities capable of offsetting market risk, a "mid price" is used, i.e. the average market price (on the last day of the reference period) instead of the bid or ask price.

Where there is no active, liquid market, the fair value of financial instruments is defined mainly by using standard measurement techniques designed to establish what the transaction price would have been on the measurement date in an arm's length trade carried out for normal market reasons. In incorporating all the factors that operators would consider in setting the price, development of the valuation models takes into account the time value of money at the risk-free rate, the volatility of the financial instrument, as well as, where applicable, exchange rates, commodity prices and stock prices.

With finance products for which the fair value determined with measurement techniques cannot guarantee a sufficient degree of reliability, the value is prudentially calculated as the fair value at the reference date communicated by the parties with which the transactions were signed.

The measurement method chosen for a financial instrument is applied consistently over time and may only be altered if significant changes in market conditions or the subjective condition of the issuer of the financial instrument occur.

For bonds and derivative contracts, globally accepted valuation models have been set, which refer to market parameters, to the time value of money and to risk-free rates. Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters. Derivative contracts are measured using specific calculation algorithms and specific numerical procedures according to the type of the different categories of transactions.

Stocks are measured considering the direct transactions, that is, significant transactions on the security registered in a sufficiently short timeframe with respect to the time of measurement and in constant market conditions, comparable transactions by companies operating in the same sector and supplying the same type of products/services as the associated company being evaluated provides, application of the average of significant stock exchange multiples of companies of a comparable financial size to the financial aggregates of the investee and, finally, financial, income and equity measurement methods.

The fair value of units in funds resulting from loan management initiatives is determined in accordance with *Bank of Italy/Consob/Ivass Joint Document no. 8 – Coordination table between Consob, the Bank of Italy and Ivass regarding the application of the. IAS/IFRS of 14 April 2020*; therefore, for fair value determination, the Asset Manager is asked to periodically provide an estimate of the Fund made by an independent expert and compliant with IFRS13 and with the Joint Document. Said Fair Value is the value the fund units are measures and recognized at.

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value is calculated as follows:

- The fair values of medium/long-term assets and liabilities are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio for assets and of any changes in own credit rating for liabilities.
- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans) is deemed to be a reasonable fair value approximation;
- The fair value of securities issued is measured based on prices quoted on active markets or with a measurement technique based on cash flow discounting using the reference yield curve appropriately corrected to take into account any change in own credit rating.

With regard to real estate, the Notes to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts. The fair value of artistic heritage is determined by means of independent appraisals, the point of reference of which is represented by the analysis of the primary and secondary market of reference, using both the systems for collecting auction tickets and the trend of similar works on the antique market and national and international art galleries.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment.
The effective interest rate is the rate that aligns the present value of cash flows expected throughout the life of the instrument (up to maturity or "expected" maturity, or a shorter period if appropriate) to the net carrying amount of the asset. The expected flows have been calculated considering all contractual terms of the instrument and including all fees and base points paid or received by and between the contracting parties, transaction costs and any other premium or discount that is measurable and considered an integral part of the effective interest rate of the transaction The amortized cost is not calculated for short-term transactions if the effect is considered immaterial and for loans without a defined maturity or revocable loans..

IMPAIRMENT OF FINANCIAL ASSETS

FINANCIAL ASSETS

In compliance with IFRS 9, Credito Valtellinese recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Commitments to disburse funds which are not measured at fair value through profit or loss;
- Financial guarantees that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling in the IFRS16 scope;
- Receivables generated by transactions under IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:

STAGE 1: FROM THE INITIAL RECOGNITION OF THE FINANCIAL INSTRUMENT (LOAN, DEBT SECURITY, GUARANTEE...), THE ENTITY SHALL RECOGNIZE EXPECTED CREDIT LOSSES OVER 12 MONTHS;

- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the lifetime expected credit losses;

- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity considering a whole-life time horizon. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

The Expected Credit Loss (ECL) is the weighted expected value of the discounted credit loss (principal and interest).

To define the IFRS 9 parameters required to calculate ECL, Credito Valtellinese has primarily relied on its internal rating system and on the other regulatory processes already implemented. The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non-performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement

The ECL calculation formula combines the probability of default (PD), Loss Given Default (LGD), Exposure At Default (EAD) and Credit Conversion Factor (CCF),parameters.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

The recoverable value is calculated for each single asset, except in case this asset generates cash flows that are not widely independent of those generated by other assets or groups of assets.

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to the recoverable value.

The recoverable value is determined with reference to the fair value of the asset, excluding disposal costs, or value in use, if calculable and higher than the fair value.

The fair value of property and works of art is mainly determined on the basis of appraisals by independent experts. The appraisal is updated whenever there is a change in the market trend that could affect the validity of the previous estimates and, in any case, every three years.

For other Property, plant and equipment items and intangible assets, Credito Valtellinese determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

In compliance with IFRS 8, segment reporting is prepared on the basis of elements used by the management to make operational and strategic decisions.

For Credito Valtellinese the following business segments were identified:

- The Commercial Bank segment: generates its revenue from the production and sale of lending products and services (including factoring provided through the subsidiary Creval PiùFactor), investment and transfer services for Credito Valtellinese's customers. This segment is further divided into:
  - Retail (individuals and enterprises with turnover <= EUR 1 million);
  - Corporate (enterprises with turnover > EUR 1 million, Financial firms and Institutions);
- The Finance, Treasury and ALM segment: generates its revenue from the management of interbank, loans and institutional funding as well as funding in securities, the Bank's securities portfolio and liquidity risk (mismatch between funding and lending maturities);
- The equity investments and other segment: deals with the management of the group's equity investments and also includes other assets not classified in the above segments. Costs relating to the operation of the operating machine/corporate centre (e.g. costs relating to Information and Communication Technology, back office and management of the Group's real estate assets) were allocated to the single segments identified above.

For segment reporting purposes, management figures, appropriately reconciled with Financial Statement figures, have been used.

A.3 – REPORTING ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

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

No changes to the business model were made during the reporting period.

A.3.2 Reclassified financial assets: change in the business model, fair value and effects on comprehensive income

No changes to the business model were made during the reporting period.

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

No changes to the business model were made during the reporting period.

A.4 – FAIR VALUE REPORTING

QUALITATIVE DISCLOSURES

CLASSIFICATION OF FINANCIAL INSTRUMENTS AND OF NON-FINANCIAL ASSETS/LIABILITIES

Reporting on the fair value hierarchy as required by IFRS 13 applies to financial instruments and to non-financial assets/liabilities that are measured at fair value (irrespectively of whether they are so measured on a recurring or non-recurring basis).

The standard classifies fair value into three different levels based on the observability of the inputs used for its measurement:

- **Level 1:** Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets. Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets. Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- **Level 2:** Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the yield curve based on interest rates that are directly observable on the market at a given reference date). Level 2 includes:

- Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
- Financial instruments whose fair value is determined with measurement models using observable market inputs.

- **Level 3:** Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

CREDIT VALUATION ADJUSTMENT (CVA) E DEBIT VALUATION ADJUSTMENT (DVA)

In accordance with the IFRS 13 regulatory framework, derivatives shall be priced based on market factors, as well as on the possible effects of the risk of the counterparty's default, which comprises the risk associated to the counterparty's creditworthiness, by calculating the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA).

CVA is the value adjustment of an OTC derivative contract entered into by the Bank with an external counterparty, which reflects the possible loss resulting from the worsening of the creditworthiness/default of the counterparty. In a mirror-like way, the DVA expresses the CVA from the external counterparty's standpoint and consists in an adjustment of the derivative fair value based on the change in the creditworthiness of the Bank.

Based on the above, the value of a portfolio of OTC derivatives that are in force with a market counterparty is equal to the value of the same risk-free portfolio less the CVA plus the DVA.

As provided for by IFRS13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA).

By signing ISDA Master Agreements, which are framework agreements that amount to the reference international standard on OTC derivatives, the Bank can calculate the CVA and DVA by netting set or by counterparty, after assessing the netting effect potentially resulting from such Agreements, rather than calculating it by single derivative.

Much in the same way, risks can be mitigated by finalizing Credit Support Annexes (CSA), which are attached to the ISDA Mater Agreement and provide for the deposit with the creditor of an amount equal to the mark-to-market value of the exposure as collateral. Such collateral allows the present exposure and the subsequent risk to be reduced and provides, on a regular basis, for the exposure to be recalculated in order to verify that the deposited amount is consistent.

As at 31 December 2021 the CVA/DVA total figure that contributes to the fair value of derivatives was not significant.

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

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

Derivative contracts are measured using specific calculation algorithms according to the type of the different categories of transactions.

Level 3: this level includes all financial instruments for which there is no active market and whose measurement is not based on observable market inputs or using the measurement communicated by qualified market players.

A.4.2 Processes and sensitivity of measurement

Creval has carried out a sensitivity analysis of unobservable market parameters in the valuation of instruments classified in Level 3 of the fair value hierarchy and measured at fair value on a recurring basis.

The portfolio of instruments measured at fair value on a recurring basis and classified within level 3 of the fair value hierarchy mainly consists of O.I.C.R. units and equity instruments.

Level 3 units of O.I.C.R. collective investment undertakings in the "Financial assets measured at fair value through profit or loss" portfolio consisted mainly of units of real estate funds. Creval also holds units in the Atlante Fund, whose assets mainly consist of units in the Italian Recovery Fund; its investment policy is aimed at non-performing loans of a number of Italian banks, by subscribing financial instruments (usually notes of different seniority originating from securitisation transactions, including junior tranches).). In In a particularly adverse simulative scenario, the zeroing of the value of EUR 7.8 million cannot be ruled out.

The value of units in real estate Of O.I.C.R. collective investment undertakings totalling EUR 63.2 million is exposed to the trend of the domestic real estate market. The sensitivity is estimated on the basis of a historical simulation approach, assuming a reduction in the value of the units equal to the first percentile of the distribution of annual changes in prices of a residential real-estate market index (Italy ISI Property Price Residential) recorded over a 6-year period.. The change in the measurement parameter is given below, along with the estimated sensitivity.

Financial asset	Unobservable parameter	Parameter change	Sensitivity (Amounts in thousands of Euro)
Real estate O.I.C.R. collective investment undertakings	Real estate market price performance	-184 p.b.	-1,164

Moreover, "Financial assets at fair value through profit or loss" also include O.I.C.R. units of private equity and private debt that hold financial instruments mainly issued by small and medium enterprises, for an amount of EUR 38.3 million, whose value is mainly affected by the economic situation of the domestic market and for which information is not sufficient to create a sensitivity analysis. . The item also includes units of an O.I.C.R collective investment undertaking that invest mainly in past due corporate loans of EUR 7.6 million and of a security fund of EUR 0.4 million; based on the information available, it was not possible to create a sensitivity analysis.

Creval holds a total of EUR 34.5 million of equity instruments classified within Level 3 of the fair value hierarchy, mainly included within "Financial assets measured at fair value through other comprehensive income". In an adverse simulative scenario that for some securities requires the application of a particularly severe haircut and for others a zeroing of the value, the overall sensitivity is estimated at EUR 18.0 million.

"Financial assets measured at fair value through profit or loss" also include the self-retained mezzanine and junior tranches coming from the disposal through a securitisation of portfolios of bad loans (Elrond and Aragorn), amounting to EUR 0.1 million and accounting for 5% of the total amount placed with institutional investors. Moreover, the portfolio includes mezzanine and junior tranches of EUR 1.6 million, mainly from corporate loan restructuring transactions. In consideration of the peculiar characteristics of the operations described above, no fair value, sensitivity analyses were carried out; however, in a particularly adverse simulative scenario, the zeroing of the value cannot be excluded.

A.4.3 Fair value hierarchy

For the assets and liabilities recognized, the Bank assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Ban moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Bank's internal standard pricing models. The Bank makes transfers to Level 3 only for financial instruments that are no longer listed in a regulated market and that cannot be measured using standard internal pricing models.

A.4.4 Other information

The cases provided for by IFRS 13 at paragraphs 51, 93 item (i) and 96 did not apply to the Group.

QUANTITATIVE DISCLOSURES

Fair value hierarchy

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

Assets/liabilities measured at fair value	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profitor or loss	2	420	118,939	55	620	187,988
a) financial assets held for trading;	2	420	1	55	620	1
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	118,938	-	-	187,987
2. Financial assets measured at fair value through other comprehensive income	608,566	6,996	34,741	788,398	23,516	43,553
3. Hedging derivatives	-	-	-	-	-	-
4. Property, Plant and Equipment	-	-	24,799	-	-	24,789
5. Intangible Assets	-	-	-	-	-	-
Total	**608,568**	**7,416**	**178,479**	**788,453**	**24,136**	**256,330**
1. Financial liabilities held for trading	-	379	-	-	80	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	126,409	-	-	159,057	-
Total	**-**	**126,788**	**-**	**-**	**159,137**	**-**

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

The transfers among different levels of fair value on positions outstanding at 31 December 2021 involve a limited number of positions referring to debt instruments.. Specifically, transfers from Level 1 to Level 2 were not material. As at 31 December 2021 the CVA/DVA total figure that contributes to the fair value of derivatives was not significant.

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

	Financial assets measured at fair value through profit or loss				Finan cial assets measured Fair value through through other comprehensive income	Hedging derivatives	Property plant and equipment	Intangible Assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**187,988**	**1**	**-**	**187,987**	**43,553**	**-**	**24,789**	**-**
2. Increases	**1,763**	**-**	**-**	**1,763**	**5**	**-**	**10**	**-**
2.1 Purchases	1,763	-	-	1,763	-	-	10	-
2.2 Profits recognized in:	-	-	-	-	-	-	-	-
2.2.1 Income Statement	-	-	-	-	-	-	-	-
- of which: capital gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	5	-	-	-
3. Decreases	**-70,812**	**-**	**-**	**-70,812**	**-8,817**	**-**	**-**	**-**
3.1 Sales	-5,723	-	-	-5,723	-18	-	-	-
3.2 Repayments	-13,764	-	-	-13,764	-28	-	-	-
3.3 Losses recognized in:	-51,306	-	-	-51,306	-6,234	-	-	-
3.3.1 Income Statement	-51,306	-	-	-51,306	-	-	-	-
- of which: capital losses	-51,306	-	-	-51,306	-	-	-	-
3.3.2 Equity	-	X	X	X	-6,234	-	-	-
3.4 Transfers to other levels	-	-	-	-	-2,537	-	-	-
3.5 Other decreases	-19	-	-	-19	-	-	-	-
4. Closing Balance	**118,939**	**1**	**-**	**118,938**	**34,741**	**-**	**24,799**	**-**

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

In the reporting period there were no changes in financial liabilities measured at fair value on a recurring basis (level 3).

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31 Dec. 2021				31 Dec. 2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortized cost	22,282,896	3,705,612	18,759	19,430,367	21,178,348	4,089,163	449,025	17,481,769
2. Investment property	70,328	-	-	79,383	97,283	-	-	114,421
3. Non-current assets held for sale and discontinued operations	469,136	-	-	465,312	11,730	-	-	11,730
Total	**22,822,360**	**3,705,612**	**18,759**	**19,975,062**	**21,287,361**	**4,089,163**	**449,025**	**17,607,920**
1. Financial liabilities measured at amortized cost	23,091,419	466,001	6,203,929	16,407,715	21,415,762	171,067	6,194,841	15,080,990
2. Liabilities associated with non-current assets held for sale and discontinued operations	23,146	-	-	3,594	-	-	-	-
Total	**23,114,565**	**466,001**	**6,203,929**	**16,411,309**	**21,415,762**	**171,067**	**6,194,841**	**15,080,990**

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

A.5 REPORTING ON "DAY ONE PROFIT/LOSS"

The disclosure refers to the method of recognition of any differences between the price of a transaction and its fair value, determined through the use of valuation techniques that do not only use data from observable markets, which emerge when a financial instrument is first recognised and are not immediately recognised in the Income Statement on the basis of the provisions of paragraph B5.1.2 A of IFRS 9. Note that no transactions were carried out for which the conditions presented are met.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents – Item

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
a) Cash	161,552	153,111
b) Cash	9,992	19,993
c) Current accounts and demand deposits with Banks	45,626	24,898
Total	**217,170**	**198,002**

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

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
A. On-balance-sheet assets						
1 Debt securities	2	1	-	10	96	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	2	1	-	10	96	-
2. Equity securities	-	1	1	43	346	1
3. Units of O.I.C.R. collective investment undertakings	-	-	-	2	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**2**	**2**	**1**	**55**	**442**	**1**
B. Derivatives						
1 Financial Derivatives	-	418	-	-	178	-
1.1 held for trading	-	418	-	-	178	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**418**	**-**	**-**	**178**	**-**
Total (A+B)	**2**	**420**	**1**	**55**	**620**	**1**

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

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ ISSUER/COUNTERPARTY

Items/Values	31 Dec. 2021	31 Dec. 2020
A. On-balance-sheet assets		
1 Debt securities	3	106
a) Central Banks	-	-
b) Public administration bodies	2	102
c) Banks	1	4
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
2. Equity securities	**2**	**390**
a) Banks	-	18
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) non-financial corporations	2	372
c) Other issuers	-	-
3. Units of O.I.C.R. collective investment undertakings	**-**	**2**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total (A)	**5**	**498**
B. Derivatives		
a) Central counterparties	-	-
b) Other	418	178
Total (B)	**418**	**178**
Total (A+B)	**423**	**676**

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1 Debt securities	**-**	**-**	**1,705**	**-**	**-**	**2,866**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	1,705	-	-	2,866
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**5,660**
3. Units of O.I.C.R. collective investment undertakings	**-**	**-**	**117,233**	**-**	**-**	**179,461**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**118,938**	**-**	**-**	**187,987**

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

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	31 Dec. 2021	31 Dec. 2020
1. Equity securities	**-**	**5,660**
of which: banks	-	5,660
of which: other financial companies	-	-
of which: non-financial corporations	-	-
2. Debt securities	**1,705**	**2,866**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	1,624	2,509
of which: insurance undertakings	-	-
e) non-financial corporations	81	357
3. Units of O.I.C.R. collective investment undertakings	**117,233**	**179,461**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**118,938**	**187,987**

Units of O.I.C.R. collective investment undertakings mainly refer to units of Italian closed-end .O.I.C.R. During the financial year, payments for EUR 1,361 thousand, new subscriptions for EUR 401 thousand and redemptions for EUR 13,578 thousand were made. Moreover, adjustments were recognized for EUR 50,413 thousand resulting mainly from the application of the Parent Company's measurement models and policies as described in Part A of the Notes to the financial statements. As regards those units, any further commitments to sell in case of call-in amount to Euro 9,078 thousand.

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

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1 Debt securities	**608,545**	**4,471**	**-**	**787,645**	**3,300**	**-**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	608,545	4,471	-	787,645	3,300	-
2. Equity securities	**21**	**2,525**	**34,741**	**753**	**20,216**	**43,553**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**608,566**	**6,996**	**34,741**	**788,398**	**23,516**	**43,553**

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

Item “1.2 Other debt securities” consisted of Italian Government securities for Euro 419,246 thousand and of other bonds for Euro 193,770 thousand. The net reserve for Italian Government securities was negative by Euro -1,147 thousand, the one for other bonds amounted to Euro 1,874 thousand.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	31 Dec. 2021	31 Dec. 2020
1. Debt securities	**613,016**	**790,945**
a) Central Banks	-	-
b) Public administration bodies	419,246	619,474
c) Banks	151,122	144,801
d) Other financial companies	28,322	23,465
of which: insurance undertakings	3,902	3,827
e) non-financial corporations	14,326	3,205
2. Equity securities	**37,287**	**64,522**
a) Banks	2,525	22,741
c) Other issuers:	34,762	41,781
- other financial companies	29,687	35,235
of which: insurance undertakings	-	-
- non-financial corporations	5,075	6,546
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**650,303**	**855,467**

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustments				Write-off partial (*)
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets total (*)	
Debt securities	613,395	105,743	526	-	-	-899	-6	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2021	**613,395**	**105,743**	**526**	**-**	**-**	**-899**	**-6**	**-**	**-**	**-**
Total 31 Dec. 2020	**787,669**	**82,985**	**3,780**	**-**	**-**	**-353**	**-151**	**-**	**-**	**-**

(*) Value to be stated for disclosure purposes.

Section 4 - Financial assets measured at amortized cost - Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE FROM BANKS

Type of transactions/Values	31 Dec. 2021						31 Dec. 2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3
A. Claims on Central Banks	**4,578,147**	**-**	**-**	**-**	**-**	**4,578,147**	**1,159,893**	**-**	**-**	**-**	**-**	**1,159,893**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	4,578,147	-	-	X	X	X	1,159,893	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from Banks	**338,265**	**-**	**-**	**74,725**	**107**	**265,513**	**370,164**	**-**	**-**	**83,655**	**105**	**291,066**
1. Loans	265,512	-	-	-	-	265,513	290,138	-	-	-	-	291,066
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	3,254		-	X	X	X	145	-	-	X	X	X
1.3 Other loans:	262,258	-	-	X	X	X	289,993	-	-	X	X	X
- Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	262,258	-	-	X	X	X	289,993	-	-	X	X	X
2. Debt securities	72,753	-	-	74,725	107	-	80,026	-	-	83,655	105	-
2.1 Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
2.2 Other debt securities	72,753	-	-	X	X	X	80,026	-	-	X	X	X
Total	**4,916,412**	**-**	**-**	**74,725**	**107**	**4,843,660**	**1,530,057**	**-**	**-**	**83,655**	**105**	**1,450,959**

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

Item "1.3 Other loans" mainly reports the components related to the Quadrivio RMBS 2011 and Quadrivio SME 2018 securitisation transactions and margin trading on existing derivatives.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/ Values	31 Dec. 2021						31 Dec. 2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3
1 Loans	**12,585,111**	**562,317**	**-**	**-**	**-**	**13,910,170**	**14,492,735**	**490,044**	**3,950**	**-**	**417,010**	**15,227,525**
1. Current accounts	847,467	155,620	-	X	X	X	1,599,612	101,414	-	X	X	X
2. Repurchase agreements for lending purposes	-	-	-	X	X	X	417,010	-	-	X	X	X
3. Mortgage loans	9,857,305	395,382	-	X	X	X	10,564,394	317,678	-	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	244,768	4,293	-	X	X	X	270,879	7,358	-	X	X	X
5. Loans for leases	7,580	-	-	X	X	X	261,180	42,417	-	X	X	X
6. Factoring	-	-	-	X	X	X	253,000	3,464	3,511	X	X	X
7. Other loans	1,627,991	7,022	-	X	X	X	1,126,660	17,713	439	X	X	X
2. Debt securities	**4,219,056**	**-**	**-**	**3,630,887**	**18,652**	**676,537**	**4,661,562**	**-**	**-**	**4,005,508**	**31,910**	**803,285**
1. Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
2. Other debt securities	4,219,056	-	-	X	X	X	4,661,562	-	-	X	X	X
Total	**16,804,167**	**562,317**	**-**	**3,630,887**	**18,652**	**14,586,707**	**19,154,297**	**490,044**	**3,950**	**4,005,508**	**448,920**	**16,030,810**

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

Item "1.7. Other loans" includes instalment and non-instalment sundry facilities of EUR 1,072,781 thousand, loans for advances on bills of EUR 246,338 thousand and import and export loans of EUR 211,899 thousand.

Loans classified in the column "Acquired or originated credit impaired" as at 31 December 2020 referred to the residual amount of non- performing loans acquired in the business combination carried out with Claris Factor S.p.A. As at 31 December 2021 they were being divested.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Tipologia operazioni/valori	31 Dec. 2021			31 Dec. 2020		
	Stage 1 and 2	Stage 3	POCI assets	Stage 1 and 2	Stage 3	POCI assets
1. Debt securities	**4,219,056**	**-**	**-**	**4,661,562**	**-**	**-**
a) Public administration bodies	3,483,239	-	-	3,782,620	-	-
b) Other financial companies	700,614	-	-	827,993	-	-
of which: insurance undertakings	5,116	-	-	5,116	-	-
c) non-financial corporations	35,203	-	-	50,949	-	-
2. Loans to:	**12,585,111**	**562,317**	**-**	**14,492,735**	**490,044**	**3,950**
a) Public administration bodies	57,583	19	-	204,142	263	701
b) Other financial companies	470,708	8,033	-	1,482,984	20,564	-
of which: insurance undertakings	*2,532*	-	-	*2,510*	-	-
c) non-financial corporations	6,369,864	424,531	-	7,201,093	325,349	3,177
d) Households	5,686,956	129,734	-	5,604,516	143,868	72
Total	**16,804,167**	**562,317**	**-**	**19,154,297**	**490,044**	**3,950**

Item “1. Debt securities: b) Other financial companies” mainly reports the portions of senior notes acquired within the disposal of non-performing loans (Elrond and Aragorn). The decrease vs. 31 December 2020 mainly resulted from partial repayment of the senior portions.

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustments				Total/partial write-offs (*)
	Stage 1		Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
		O/w: Low credit risk instruments								
Debt securities	4,296,406	72,709	-	-	-	-4,597	-	-	-	-
Loans	16,644,864	144,037	864,224	1,169,384	-	-42,230	-38,088	-607,067	-	6,802
Total 31 Dec. 2021	**20,941,270**	**216,746**	**864,224**	**1,169,384**	**-**	**-46,827**	**-38,088**	**-607,067**	**-**	**6,802**
Total 31 Dec. 2020	19,638,725	255,669	1,114,615	944,501	11,425	-23,777	-45,209	-454,457	-7,475	21,944

(*) Value to be stated for disclosure purposes.

4.4a LOANS MEASURED AT AMORTIZED COST UNDER COVID-19 SUPPORT MEASURES: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross					Total adjustments				Total/partial write-offs (*)
	Stage 1		Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
		of which: Low credit risk								
1. Loans under EBA-compliant concessions	59,249	-	194,502	-	-	-271	-9,856	-	-	-
2. Loans under moratoria in force no longer EBA-compliant and not assessed as forborne	16,258	-	5,353	29,448	-	-59	-83	-7,778	-	-
3. Loans under other concession measures	-	-	36,709	67,541	-	-	-2,653	-18,510	-	-
4. New loans	1,639,230	-	9,530	23,891	-	-6,057	-270	-6,338	-	-
Total 31 Dec. 2021	**1,714,737**	**-**	**246,094**	**120,880**	**-**	**-6,387**	**-12,862**	**-32,626**	**-**	**-**
Total 31 Dec. 2020	**3,356,366**	**-**	**304,057**	**8,743**	**-**	**-7,526**	**-20,488**	**-2,613**	**-**	**-**

(*) Value to be stated for disclosure purposes.

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	Type of control (1)	Equity investment		Availability voti % (2)
				Investor	% held	
A. Joint arrangements						
1. Rajna immobiliare S.r.l.	Sondrio	Sondrio	1	Credito Valtellinese	50.00	
B. Investees subject to significant influence						
1 Sondrio Città Futura S.r.l.	Milano	Milano	2	Stelline Real Estate	49.00	
2. Valtellina Golf Club S.p.A.	Caiolo	Caiolo	2	Credito Valtellinese	43.08	
3. Generalfinance S.p.A.	Milano	Milano	2	Credito Valtellinese	46.81	
4. Global Broker S.p.A.	Milano	Milano	2	Credito Valtellinese	30.00	

Key:

(1) Type of control
1 = joint control
2 = significant influence

(2) The percentage of votes available is not set forth when it is equal to the shareholding.

7.2 SIGNIFICANT EQUITY INVESTMENTS: BOOK VALUE, FAIR VALUE AND DIVIDENDS RECEIVED

As at the reporting date, Creval held no controlling equity investments in entities with significant minority interests.

7.3 SIGNIFICANT EQUITY INVESTMENTS: FINANCIAL INFORMATION

There are no controlling interests with significant minority interests.

7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: FINANCIAL INFORMATION

Name	Book value of the equity investments	Total assets	Total liabilities	Total reve nues	Profit (Loss) Profit (Loss) after tax from continuing operations
Joint arrangements					
1. Rajna immobiliare S.r.l.	315	743	18	132	38
Investees subject to significant influence					
1. Sondrio Città Futura S.r.l.	-	10,868	10,808	210	-40
2. Valtellina Golf Club S.p.A.	-	6,866	5,066	416	-110
3. Generalfinance S.p.A.	23,532	210,210	187,645	21,245	5,328
4. Global Broker S.p.A.	753	8,634	6,084	2,721	738

Name	Profit (Loss) after tax from discontinued operations	Profit (Loss) for the period (1)	Other comprehensive income after tax (2)	Comprehe nsive income (3)=(1)+(2)
Joint arrangements				
1. Rajna immobiliare S.r.l.	-	38	-	38
Investees subject to significant influence				
1. Sondrio Città Futura S.r.l.	-	-40	-	-40
2. Valtellina Golf Club S.p.A.	-	-110	14	-96
3. Generalfinance S.p.A.	-	5,328	-30	5,298
4. Global Broker S.p.A.	-	738	-	738

The accounting data of non-significant equity investments refer to financial statements approved by the General Meetings of their respective shareholders as at 31 December 2020.

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	31 Dec. 2021	31 Dec. 2020
A. Opening balance	**20,573**	**19,074**
B. Increases	**5,264**	**2,724**
B.1 Purchases	932	-
B.2 Recoveries	-	-
B.3 Revaluations	4,332	2,724
B.4 Other changes	-	-
C. Decreases	**-1,237**	**-1,225**
C.1 Sales	-	-
C.2 Value adjustments	-20	-
C.3 Impairment/writedowns	-	-
C.4 Other changes	-1,217	-1,225
D. Closing balance	**24,600**	**20,573**
E. Total recoveries	**7,959**	**4,844**
F. Total adjustments	**1,230**	**1,210**

7.6 SIGNIFICANT CONSIDERATIONS AND ASSUMPTIONS TO ASSESS WHETHER JOINT CONTROL OR SIGNIFICANT INFLUENCE EXISTS

The existence of significant influence is verified when the company has the power to take part in management and financial decisions of the entity without having the control or joint control by virtue of the voting rights or in the presence of specific contractual agreements. As at the reporting date, investees subject to significant influence were recognized as those whose voting rights are held by 20% or more, except those for which only property rights on the investments made are held without having access to management policies and governance.

Joint control is the sharing, on a contractual basis and between two or more parties, of the power of taking decisions relating to the relevant activities of a third-party entity or transaction. A joint arrangement has the following characteristics: the parties are bound by a contractual agreement and the contractual agreement gives to two or more parties the joint control of the arrangement. The type of joint arrangement in which one is involved must be determined. . The classification of a joint arrangement as a joint control asset or as a joint venture depends on the rights and obligations of the parties as part of the arrangement.

As at 31 December 2021 Rajna Immobiliare S.r.l. was a joint arrangement. The investee is based in Sondrio, has two shareholders owning 50% each and the equity investments has been recognized with the equity method.

7.7 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN JOINT-ARRANGEMENTS

As at 31 December 2021 there were no commitments referring to joint arrangements.

7.8 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE

As at 31 December 2021 there were no commitments referring to entities subject to significant influence.

7.9 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2021 there were no restrictions on the Bank’s capacity to transfer cash or other assets.

Section 9 – Property, plant and equipment – Item 90

9.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	31 Dec. 2021	31 Dec. 2020
1. Owned	**175,245**	**235,342**
a) land	32,310	43,651
b) buildings	138,291	181,883
c) furniture	1,716	2,570
d) electronic plants	1,885	5,128
e) other	1,043	2,110
2. Rights of use acquired through leases	**97,895**	**125,458**
a) land	-	-
b) buildings	96,258	119,264
c) furniture	-	-
d) electronic plants	681	4,550
e) other	956	1,644
Total	**273,140**	**360,800**
of which: obtained through the enforcement of guarantees received	-	-

9.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1 Owned	**62,136**	**-**	**-**	**71,191**	**91,412**	**-**	**-**	**108,550**
a) land	8,680	-	-	10,043	12,401	-	-	15,439
b) buildings	53,456	-	-	61,148	79,011	-	-	93,111
2. Rights of use acquired through leases	**8,192**	**-**	**-**	**8,192**	**5,871**	**-**	**-**	**5,871**
a) land	-	-	-	-	-	-	-	-
b) buildings	8,192	-	-	8,192	5,871	-	-	5,871
Total	**70,328**	**-**	**-**	**79,383**	**97,283**	**-**	**-**	**114,421**
of which: obtained through the enforcement of guarantees received	21,356	-	-	24,198	27,337	-	-	30,091

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

9.3 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF REVALUED ASSET

Assets/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1 Owned	**-**	**-**	**24.799**	**-**	**-**	**24.789**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	24.799	-	-	24.789
d) electronic plants	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic plants	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**24.799**	**-**	**-**	**24.789**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

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

The revalued operating property, plant and equipment shown above refer to art works measured using the restatement approach.

9.4 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT FAIR VALUE

As at the reporting date, there was no investment property measured at fair value.

9.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; BREAKDOWN

Assets/Values	31 Dec. 2021	31 Dec. 2020
1. Inventories of assets obtained through the enforcement of guarantees received	**12.912**	**18.160**
a) land	-	-
b) buildings	12.912	18.160
c) furniture	-	-
d) electronic plants	-	-
e) other	-	-
2. Other inventories of property, plant and equipment	**7.784**	**22.440**
Total	**20.696**	**40.600**
of which: measured at fair value net of sale costs	-	-

Item “2. Other inventories of property, equipment and investment property” includes all properties held for any reason, other than those obtained through the enforcement of guarantees received and regulated by IAS 2. IAS 2.

9.6 OPERATING PROPERTY, PLANT AND EQUIPMENT - OWNED: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**43,701**	**311,274**	**117,868**	**48,033**	**99,326**	**620,202**
A.1 Total net impairment writedowns	50	129,391	90,509	42,905	97,216	360,071
A.2 Opening net balance	43,651	181,883	27,359	5,128	2,110	260,131
B. Increases	**-**	**4,902**	**52**	**1,252**	**383**	**6,589**
B.1 Purchases	-	-	49	1,252	381	1,682
B.2 Capitalized improvement expenses	-	1,172	-	-	-	1,172
B.3 Recoveries	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	3,472	X	X	X	3,472
B.7 Other changes	-	258	3	-	2	263
C. Decreases	**-11,341**	**-48,494**	**-896**	**-4,495**	**-1,450**	**-66,676**
C.1 Sales	-	-340	-	-	-	-340
C.2 Depreciation	-	-7,992	-826	-1,676	-1,082	-11,576
C.3 Impairment losses recognized through:	-10,071	-40,141	-	-2,816	-347	-53,375
a) Equity	-	-	-	-	-	-
b) Profit or loss	-10,071	-40,141	-	-2,816	-347	-53,375
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-1,236	-	-57	-1	-1	-1,295
a) Investment property	-1,236	-	X	X	X	-1,236
b) Non-current assets held for sale and discontinued operations	-	-	-57	-1	-1	-59
C.7 Other changes	-34	-21	-13	-2	-20	-90
D. Closing net balance	**32,310**	**138,291**	**26,515**	**1,885**	**1,043**	**200,044**
D.1 Total net impairment writedowns	10,121	177,349	89,860	44,133	95,400	416,863
D.2 Closing gross balance	42,431	315,640	116,375	46,018	96,443	616,907
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

All property, equipment and investment property are valued at cost, adjusted by the relative depreciation and any impairment losses/reversals of impairment losses, except for the artistic heritage included in the category of furniture and measured using the revaluation model.

9.6 OPERATING PROPERTY, PLANT AND EQUIPMENT - RIGHTS OF USE ACQUIRED THROUGH LEASES: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**-**	**150,061**	**-**	**9,016**	**3,195**	**162,272**
A.1 Total net impairment writedowns	-	30,797	-	4,466	1,551	36,814
A.2 Opening net balance	-	119,264	-	4,550	1,644	125,458
B. Increases	**-**	**10,805**	**-**	**86**	**419**	**11,310**
B.1 Purchases	-	1,247	-	-	170	1,417
B.2 Capitalized improvement expenses	-	482	-	-	-	482
B.3 Recoveries	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	9,076	-	86	249	9,411
C. Decreases	**-**	**-33,811**	**-**	**-3,955**	**-1,107**	**-38,873**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-15,298	-	-2,205	-1,000	-18,503
C.3 Impairment losses recognized through:	-	-6,165	-	-	-	-6,165
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-6,165	-	-	-	-6,165
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-64	-64
a) Investment property	-	-	X	X	X	-
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-64	-64
C.7 Other changes	-	-12,348	-	-1,750	-43	-14,141
D. Closing net balance	**-**	**96,258**	**-**	**681**	**956**	**97,895**
D.1 Total net impairment writedowns	-	46,075	-	6,671	2,396	55,142
D.2 Closing gross balance	-	142,333	-	7,352	3,352	153,037
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

9.7 INVESTMENT PROPERTY - OWNED: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening gross balance	**12,575**	**127,582**
A.1 Total net impairment writedowns	174	48,571
A.2 Opening net balance	**12,401**	**79,011**
B. Increases	**1,236**	**501**
B.1 Purchases	-	260
B.2 Capitalized improvement expenses	-	49
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	1,236	-
B.7 Other changes	-	192
C. Decreases	**-4,957**	**-26,056**
C.1 Sales	-	-5
C.2 Depreciation	-	-3,066
C.3 Fair Value losses	-	-
C.4 impairment losses	-4,632	-17,408
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-5,577
a) operating assets	-	-3,472
b) Non-current assets held for sale and discontinued operations	-	-2,105
C.7 Other changes	-325	-
D. Closing net balance	**8,680**	**53,456**
D.1 Total net impairment writedowns	4,806	68,092
D.2 Closing gross balance	**13,486**	**121,548**
E. Measurement at fair value	**10,043**	**61,148**

All property, equipment and investment property are measured at cost, adjusted by the relative depreciation and any impairment losses/recoveries.
The amount of rents received from the lease of investment property is recognised in other operating income and broken down in table 16.2 of the Section of the Notes to financial statements of the Income statement to which reference is made.

9.7 INVESTMENT PROPERTY - RIGHTS OF USE ACQUIRED THROUGH LEASES: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening gross balance	**-**	**7,890**
A.1 Total net impairment writedowns	-	2,019
A.2 Opening net balance	-	5,871
B. Increases	**-**	**4,271**
B.1 Purchases	-	-
B.2 Capitalized improvement expenses	-	107
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	4,164
C. Decreases	**-**	**-1,950**
C.1 Sales	-	-
C.2 Depreciation	-	-750
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-1,159
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	-41
D. Closing net balance	**-**	**8,192**
D.1 Total net impairment writedowns	-	2,768
D.2 Closing gross balance	-	10,960
E. Measurement at fair value	**-**	**8,192**

9.8 INVENTORIES OF PROPERTY PLANT AND EQUIPMENT GOVERNED BY IAS 2: CHANGES FOR THE YEAR

	Inventories of property, plant and equipment obtained					Other inventories of property, plant and equipment	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Opening balance	**-**	**18,160**	**-**	**-**	**-**	**22,440**	**40,600**
B. Increases	**-**	**152**	**-**	**-**	**-**	**753**	**905**
B.1 Purchases	-	152	-	-	-	753	905
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-	-
C. Decreases	**-**	**-5,400**	**-**	**-**	**-**	**-15,409**	**-20,809**
C.1 Sales	-	-2,042	-	-	-	-4,077	-6,119
C.2 impairment losses	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
C.3 Negative foreign exchange differences	-	-3,358	-	-	-	-11,332	-14,690
C.4 Other changes	**-**	**12,912**	**-**	**-**	**-**	**7,784**	**20,696**
D. Closing balance							

Item "C.4 Other changes" reports the measurement of inventories for which the net realizable value is expected to be lower than the cost based on evidence given by independent appraisals.

9.9 COMMITMENTS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, there were no commitments for purchases of property, plant and equipment.

Section 10 – Intangible assets – Item 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Attività/Valori	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.1.1 Group	X	-	X	-
A.1.2 Minority shareholders	X	-	X	-
A.2 Other intangible assets	**1,757**	**-**	**18,300**	**-**
of which. software	1,757	-	18,300	-
A.2.1 Assets measured at cost:	1,757	-	18,300	-
a) Internally generated intangible assets	1,140	-	11,654	-
b) Other assets	617	-	6,646	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**1,757**	**-**	**18,300**	**-**

10.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening gross balance	**675,095**	**32,228**	**-**	**96,136**	**-**	**803,459**
A.1 Total net impairment writedowns	675,095	20,574	-	89,490	-	785,159
A.2 Opening net balance	**-**	**11,654**	**-**	**6,646**	**-**	**18,300**
B. Increases	**-**	**932**	**-**	**2,523**	**-**	**3,455**
B.1 Purchases	-	-	-	590	-	590
B.2 Increases in internal intangible assets	X	932	-	1,933	-	2,865
B.3 Recoveries	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-11,446**	**-**	**-8,552**	**-**	**-19,998**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-11,418	-	-8,227	-	-19,645
Amortization	X	-5,610	-	-3,069	-	-8,679
- Impairment writedowns:	-	-5,808	-	-5,158	-	-10,966
+ Equity	X	-	-	-	-	-
+ Profit and loss	-	-5,808	-	-5,158	-	-10,966
C.3 Fair Value losses:	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-137	-	-137
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-28	-	-188	-	-216
D. Closing net balance	**-**	**1,140**	**-**	**617**	**-**	**1,757**
D.1 Total net adjustments	675,095	31,992	-	96,452	-	803,539
E. Closing gross balance	**675,095**	**33,132**	**-**	**97,069**	**-**	**805,296**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key:
FIN: Finite life
INDEF: Indefinite life

Section 11 - Tax Assets and Tax Liabilities - Item 110 of Assets and Item 60 of Liabilities

11.1 DEFERRED TAX ASSETS: BREAKDOWN

	Italian corporate income tax (IRES)	IRAP	31 Dec. 2021	31 Dec. 2020
Financial assets measured at fair value through other comprehensive income	-	358	358	56
Measurement of due from banks	23	-	23	32
Measurement of loans to customers	317.571	47.376	364.947	387.062
Non-deductible depreciation of property, plant and equipment	28.152	4.621	32.773	5.176
Impairment, tax exemption and amortization of intangible assets	134.876	27.030	161.906	158.342
Provisioning for employee severance benefits	1.465	-	1.465	1.811
Other provisioning	52.122	3.329	55.451	27.191
Tax losses that can be carried forward	356.472	-	356.472	60.188
Other	17.382	1.539	18.921	31.961
Offsetting effect of deferred taxes	-	-	-	-9.149
Total	**908.063**	**84.253**	**992.316**	**662.670**

Deferred tax assets at 31 December 2021 relating to the "Measurement of loans to customers" include EUR 227960 thousand relating to Italian Law 214/2011, while those relating to the "Impairment, exemption and amortisation of intangible assets" include EUR 146,714 thousand relating to Italian Law 214/2011.
Deferred tax assets related to "Tax losses that may be carried forward in the future" increased as a result of the recognition of DTAs previously not recognised as illustrated below.
"Other" deferred tax assets also include deferred tax assets for ACE deductions.

11.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	Italian corporate income tax (IRES)	IRAP	31 Dec. 2021	31 Dec. 2020
Financial assets measured at fair value through other comprehensive income	300	65	365	3,054
Capital gains from disposal	161	654	815	1,312
Art heritage	4,433	-	4,433	4,433
Other	734	346	1,080	1,903
Offsetting effect of deferred taxes	-	-	-	-9,149
Total	**5,628**	**1,065**	**6,693**	**1,553**

11.3 CHANGES IN DEFERRED TAX ASSETS (THROUGH PROFIT OR LOSS)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**649,790**	**681,659**
2. Increases	**384,221**	**71,697**
2.1 Deferred tax assets recognized in the year	379,383	69,575
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) Recoveries	-	-
d) other	379,383	69,575
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4,838	2,122
3. Decreases	**-60,207**	**-103,566**
3.1 Deferred tax assets derecognized in the year	-33,126	-63,694
a) reversals	-31,944	-60,034
b) writedowns for supervening non-recoverability	-720	-
c) change in accounting policies	-	-
d) other	-462	-3,660
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-27,081	-39,872
a) conversion into tax credits pursuant to L. 214/2011	-343	-28
b) other	-26,738	-39,844
4. Closing balance	**973,804**	**649,790**

11.4 CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**376,222**	**376,269**
2. Increases	**1,228**	**7,479**
3. Decreases	**-2,756**	**-7,526**
3.1 Reversals	-347	-7,498
3.2 Conversion into tax credits	-343	-28
a) from loss for the year	-4	-28
b) from tax losses	-339	-
3.3 Other decreases	-2,066	-
4. Closing balance	**374,694**	**376,222**

11.5 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**714**	**2.301**
2. Increases	**2.300**	**2.308**
2.1 Deferred tax liabilities recognized in the year	2	186
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	2	186
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2.298	2.122
3. Decreases	**-1.330**	**-3.895**
3.1 Deferred tax liabilities derecognized in the year	-1.318	-2.155
a) reversals	-724	-569
b) due to change in accounting policies	-	-
c) other	-594	-1.586
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-12	-1.740
4. Closing balance	**1.684**	**714**

11.6 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY/OCI)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**12,880**	**14,841**
2. Increases	**7,909**	**11,399**
2.1 Deferred tax assets recognized in the year	511	3,727
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	511	3,727
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	7,398	7,672
3. Decreases	**-2,277**	**-13,360**
3.1 Deferred tax assets derecognized in the year	-135	-5,962
a) reversals	-6	-5,962
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	-129	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-2,142	-7,398
4. Closing balance	**18,512**	**12,880**

11.7 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**839**	**846**
2. Increases	**7,404**	**7,675**
2.1 Deferred tax liabilities recognized in the year	6	13
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	6	13
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	7,398	7,662
3. Decreases	**-3,234**	**-7,682**
3.1 Deferred tax liabilities derecognized in the year	-2,687	-284
a) reversals	-2,687	-284
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-547	-7,398
4. Closing balance	**5,009**	**839**

11.8 OTHER INFORMATION

Patent box

In December 2021, a Patent Box agreement regarding the 2016 tax period was signed with Agenzia delle Entrate (the Italian Revenue Agency), the applications for which had been filed in that year. The benefit applied for consists in the detaxation of the income portion virtually resulting from patents in force in 2016 for the 2016/2020 period. The final benefit from the agreement, regarding the five-year period specified above, and recognized in the tax items of the income statement, under the DTA recognized on the tax loss for the period amounts to approximately EUR 5 million.

Aid to economic growth

Article 1 of Italian Decree Law no. 201 of 6 December 2011 introduced, effective as of the tax periods underway on 31 December 2011, a tax benefit that consists in the deduction from the taxable income of notional returns on equity contributions. The measure is called "ACE" ("Aid to economic growth") and is an incentive to capitalization through contributions in cash and to reinvestment in the enterprise.

The tax relief consists in the annual deduction from the Italian corporate income tax (IRES) of an amount equal to the product of the notional return rate (1.3%) times the equity increase as at the end of FY 2010, within the equity reported in the financial statements for the period, excluding reserve for the purchase of treasury shares. The ACE total benefit for the period came to approximately EUR 5.3 million in terms of higher tax credit for the Italian Regional Tax on Productive Activities (IRAP).

Moreover, upon filing of the 2020 income and IRAP tax returns, the ACE surplus for the period was converted into tax credits for IRAP, totalling EUR 6.2 million. The total IRAP tax credit recognized as at 31 December 2021, net of the portions used, was EUR 24.2 million and was reclassified under item "tax assets a) current". For ACE surplus accrued in previous FYs deferred tax assets were recognized in an amount of about EUR 1.6 million.

Conversion of deferred tax assets into tax credits

Article 2 of Italian Decree Law no. 225 of 29 December 2010 ("Milleproroghe" decree) allows the conversion into tax assets of deferred tax assets or DTA recognized relating to impairment losses on loans and receivables of banks and financial companies and to goodwill and other intangible assets Article 17 of Italian Decree Law no. 83 of 27 June 2015 ordered that the regulation for the conversion into tax asset is not applicable to the DTA, relating to the value of goodwill and of other intangible assets, recognised for the first time in the financial statements related to the current financial year on 27 June 2015, date of entry into force of this Article.

Briefly, the regulation that allows the conversion of deferred tax assets provides that::

- Upon the occurrence of losses for the year recognised, the DTA are converted into tax credits The conversion applies in an amount equal to the portion of the loss for the year that correspond to the ratio between the DTA and the amount of share capital and reserves;
- Any portion of the mentioned DTA that contributes to the formation of a tax loss for IRES purposes or of a negative value of production with reference to IRAP, is converted into tax assets by disabling the limits of recoverability contemplated for tax losses;
- The tax credit is non-interest bearing. It can be used, without amount restrictions, offsetting against other tax (including those deriving from the withholding agent activity) and contributory liabilities within each bank and tax consolidation Moreover, the credit can be transferred at nominal value in accordance with the procedure as per Article 43-ter of Italian Presidential Decree 602/1973 and can be claimed as a reimbursement of the residual portion after offsetting

The deferred tax assets recognised in the consolidated financial statements are mainly due to impairment losses of loans and receivables exceeding the immediate deductibility limit expected by the tax regulation and to goodwill falling within the scope of application of the above regulations that, at the end of 2021, amounted to EUR 374.7 million. In 2021 DTA were converted into tax credits for modest amounts.

Finally, deferred tax assets related to impairment losses made by the banks and by the other financial subjects on loans and receivables with customers and related to goodwill and other intangible assets were recognised in the financial statements as their recovery is not affected by large future taxable income, because in any case they can be recovered also as tax credits.

Article 11 of Italian Law Decree no. 59 of 3 May 2016, as amended, establishes that companies affected by the provisions that envisage the transformation of deferred tax assets into tax assets – referred to in Article 2, paragraphs 55 to 57, of Italian Law Decree no. 225 of 29 December 2010 – may opt to maintain the application of the above provisions, with respect to those deferred tax assets for which there is no actual tax payment. This option is irrevocable and entails the obligation to pay an annual fee until the financial year at 31 December 2030. The fee is determined on an annual basis by applying the rate of 1.5% to the difference between i) the amount of deferred tax assets arising as from 31 December 2007 and of deferred tax assets converted into tax credits and ii) paid taxes as resulting at the end of the previous financial year.. The fee is not due if the amount of taxes paid exceeds the amount of deferred tax assets. The fee for 2021 amounted to approximately EUR 2.8 million.

Business Combinations Conversion of DTAs for losses with payment of a commission

Italian Law no. 178 of 30 December 2020 (2021 Budget Law) at Article 1 paragraphs 233-243 introduced the possibility, in case of business combinations through merger, demerger or transfer of business units and resolved by the General Meeting of Shareholders or by another Body competent by law between 1 January 2021 and 31 December 2021 given to the entity resulting from the merger or to the surviving entity, assignee or transferee, to obtain the conversion into tax credits of deferred tax assets (DTA) referring to the components given below:

- Tax losses accrued up to the tax period before the under underway on the date of effectiveness of the transaction, not yet deducted from taxable income under Article 84 of the Italian Consolidated Law on Income Taxes (Italian Presidential Decree no. 917 of 22 December 1986), governing the calculation and carryforward of tax losses as at the same date;
- Amount of the notional return exceeding the net total income under Article 1, paragraph 4, of Italian Decree Law no. 201 of 6 December 2011, known as ACE surplus, accrued until the tax period before the one underway on the date of legal effectiveness of the transaction and not yet deducted and not converted into tax credits as at the same date.

Deferred tax assets referring to the above-reported components may be converted into tax credits also if they have not been recognized.

Under the resolutions adopted by Crédit Agricole Italia concerning Creval merger by absorption, it was also resolved to exercise the option for the conversion of DTA on tax losses and ACE surplus, both recognized and not recognized, pertaining to Creval as at 31 December 2020 for an amount of about EUR 240.7 million.

Probability test

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out by the Parent Company Crédit Agricole Italia and confirmed their full recoverability.

For the probability test calculation, profits and losses for tax purposes in the coming FYs were simulated, starting from the assumed profit or losses for those FYs and taking into account, for that purpose, the permanent increases and decreases that can be estimated, as well as the release of temporary differences, both positive and negative, expected for that period.

Besides the recovery of the aforementioned temporary differences, the calculation also showed that the DTA for tax losses can be recovered over a modest time horizon, which, in the most likely scenario, is five years. Other possible scenarios of more severe, albeit reasonable, stress were also assumed, taking into account decreases in profits or higher recovery of temporary difference assets than deemed likely, and recoverability was confirmed. It may be useful to point out that the main portion of the recognized DTAs consists of so-called "convertible" DTAs, i.e. DTAs whose recoverability does not depend on future profit or loss, as they may be converted in true tax credits, receivable form the Inland Revenue Agency in case of statutory or tax losses. The total amount of the DTA on which probability tests were conducted is Euro 376.9 million.

Section 12 – Non-current assets held for sale and discontinued operations – Item 120 of Assets and Item 70 of Liabilities

12.1 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS: BREAKDOWN BY TYPE OF ASSET

	31 Dec. 2021	31 Dec. 2020
A. Assets held for sale		
A.1 Financial assets	465,695	3,775
A.2 Equity investments	-	-
A.3 Property, plant and equipment	75	7,955
of which: obtained through the enforcement of guarantees received	-	94
A.4 Intangible assets	137	-
A.5 Other non-current assets	3,229	-
Total (A)	**469,136**	**11,730**
Of which measured at cost	3,824	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	465,312	11,730
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-	-
B.2. Financial assets measured at fair value through other comprehensive income	-	-
B.3. Financial assets measured at amortized cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
Of which measured at cost	-	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Dye and payables	3,594	-
C.2 Securities	-	-
C.3 Other liabilities	19,552	-
Total (C)	**23,146**	**-**
Of which measured at cost	19,552	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	3,594	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortized cost	-	-
D.2Financial liabilities held for trading	-	-
D.3Financial liabilities designated at fair value	-	-
D.4 Funds	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
Of which measured at cost	-	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	-	-

The above items also report the assets and liabilities concerning the demerger of the leasing unit scheduled for Q1 2022, as well as all the assets and liabilities relating to Creval PiùFactor, a company that is going to be sold by the end of Q1 2022.

Stage 2 financial assets came to Euro 104.8 million, whereas Stage 3 financial assets came to Euro 31.5 million.

Section 13 – Other assets – Item 130

13.1 OTHER ASSETS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Amounts due from the tax authorities	42,007	41,270
Cheques drawn to be settled	21,055	21,671
Counterparts for securities and coupon payments to be received	68	20
Sundry items to be charged to customers and banks	29,855	26,277
Costs and advances pending financial allocation	1,919	2,188
Receivables related to the supply of goods and services	3,441	2,855
Leasehold improvements	229	636
Other items	43,872	27,721
Total	**142,446**	**122,638**

Liabilities

Section 1 - Financial liabilities measured at amortized cost - Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	VB	Fair value			VB	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**4,932,772**	**X**	**X**	**X**	**3,479,456**	**X**	**X**	**X**
2. Due to banks	**41,594**	**X**	**X**	**X**	**60,537**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	21,456	X	X	X	33,974	X	X	X
2.2 Time deposits	121	X	X	X	-	X	X	X
2.3 Loans	17,128	X	X	X	24,842	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	17,128	X	X	X	24,842	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-	X	X	X	-	X	X	X
2.6 Other due and payables	2,889	X	X	X	1,721	X	X	X
Total	**4,974,366**	**-**	**4,904,313**	**25,572**	**3,539,993**	**-**	**3,453,642**	**61,090**

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

Item "1. Item "Due to central banks" reports the exposure to the European Central Bank della Banca for TLTRO-III. Item "2.3.2 Loans – other" mainly reports loans received from the European Investment Bank.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	VB	Fair value			VB	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	16,107,141	X	X	X	14,505,261	X	X	X
2. Time deposits	1,004,624	X	X	X	1,569,625	X	X	X
3. Loans	190,839	X	X	X	637,899	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	319,294	X	X	X
3.2 Other	190,839	X	X	X	318,605	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	121,620	X	X	X	142,700	X	X	X
6. 6. Other due and payables	33,420	X	X	X	57,675	X	X	X
Total	**17,457,644**	**-**	**1,215,000**	**16,261,248**	**16,913,160**	**-**	**2,232,947**	**14,709,942**

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

Item “3.2 Loans - other” refers mainly to medium to long-term loans received by Cassa Depositi e Prestiti following the agreement between ABI and Cassa Depositi e Prestiti in support of SMEs.

1.3 FINANCIAL LIABILITIES AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of securities/values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	VB	Fair value			VB	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 Bonds	576,503	466,001	1,544	120,895	863,154	171,067	408,450	309,958
1.1 Structured	-	-	-	-	-	-	-	-
1.2 other	576,503	466,001	1,544	120,895	863,154	171,067	408,450	309,958
2. Other securities	82,906	-	83,072	-	99,455	-	99,802	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	82,906	-	83,072	-	99,455	-	99,802	-
Total	**659,409**	**466,001**	**84,616**	**120,895**	**962,609**	**171,067**	**508,252**	**309,958**

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

Financial instruments indicated in level 3 refer to issues placed with third parties relating to the Quadrivio RMBS 2011 and Quadrivio SME 2018 securitisations.

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

As at the reporting date there were no subordinated liabilities to banks and customers. Subordinated securities referred to Credito Valtellinese issue 8,25% 2017/2027 (ISIN XS1590496987) for a nominal amount of Euro 150 million with maturity on 12 April 2027. The issues provide for an early repayment option as of 12 April 2022.

1.5 1.5 BREAKDOWN OF STRUCTURED LIABILITIES

At the end of 2021 there were no structured liabilities to banks and to customers.

1.6 LEASE LIABILITIES

The maturities of finance lease liabilities are given below:

- Euro 16,563 thousand by 31 December 2022;
- Euro 14,279 thousand by 31 December 2023;
- Euro 14,386 thousand by 31 December 2024;
- Euro 13,588 thousand by 31 December 2025;
- Euro 11,829 thousand by 31 December 2026;
- Euro 50,975 thousand beyond 5 years.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	Total 31 Dec. 2021					Total 31 Dec. 2020				
	Nominal or notional value	Fair Value			Fair value(*)	Nominal or notional value	Fair Value			Fair value(*)
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1 Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1 Financial Derivatives	-	-	-	-	-	-	-	-	-	-
1.1 Held for trading	X	-	379	-	X	X	-	80	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit Derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**379**	**-**	**X**	**X**	**-**	**80**	**-**	**X**
Total (A+B)	**-**	**-**	**379**	**-**	**-**	**-**	**-**	**80**	**-**	**-**

Key:
NV = nominal or notional value
L1 = Level 1
L2= Level 2
L3= Level 3
Fair Value* = fair value calculated excluding value changes resulting from an alteration in the issuer's credit rating after the date of issue.

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

As at the reporting date, there were no subordinated financial liabilities held for trading.

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

As at the reporting date, there were no structured financial liabilities held for trading.

Section 4 – Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	Fair value 31 Dec. 2021			VN 31.12.2021	Fair value 31 Dec. 2020			VN 31.12.2020
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	**-**	**126,409**	**-**	**300,000**	**-**	**159,057**	**-**	**300,000**
1) Fair value	-	126,409	-	300,000	-	159,057	-	300,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**126,409**	**-**	**300,000**	**-**	**159,057**	**-**	**300,000**

Key:
NV = nominal or notional value
L1 = Level 1
L2= Level 2
L3= Level 3

The outstanding hedging derivatives are represented by IRS purchased to hedge the interest rate risk on Italian government securities (BTP) included in the banking book of Financial assets at amortised cost.

4.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transactions/Type of hedge	Fair value							Cash flows		Investments In foreign operations
	Specifica						Macro-hedging	Micro-hedging	Micro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1 Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	126,409	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**126,409**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities – Item 60

Please, see Section 11 of assets.

Section 7 - Liabilities associated with non-current assets held for sale and discontinued operations

Please, see Section 12 of assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Amounts due to tax authorities for indirect taxes	121	1,582
Amount payable to social security institutions	10,188	10,257
Amounts due to government agencies on behalf of third parties	39,631	40,663
Sundry items to be credited to customers and banks	21,745	30,373
Amounts available to customers	21,538	32,272
Amounts payable to employees	10,466	13,666
Value date differences on portfolio transactions	132,237	105,985
Items in transit between branches	137	805
Accruals other than those capitalized	1,991	3,573
Payables related to the supply of goods and services	17,857	28,173
Share-based payments – IFRS 2	4,600	3,346
Sundry and residual items	109,623	113,961
Total	**370,134**	**384,656**

Section 9 – Employee severance benefits – Item 90

9.1 9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31 Dec. 2021	31 Dec. 2020
A. Opening balance	**38,452**	**36,836**
B. Increases	**10,719**	**12,542**
B.1 Provision for the year	10,719	10,630
B.2 Other changes	-	1,912
C. Decreases	**-12,072**	**-10,926**
C.1 Severance payments	-857	-564
C.2 Other changes	-11,215	-10,362
D. Closing balance	**37,099**	**38,452**

Item “B.2 Other changes” or item “C.2 Other changes” report actuarial gains and losses.
Item C.2 “Other decreases” includes, in addition to the above, the amounts transferred to the Group Pension Fund and the Treasury Fund of INPS or paid in payroll to the employee.

9.2 OTHER INFORMATION

The post-employment benefits may be included among the defined benefit plans not directly financed. This amount has been actuarially calculated, for all group companies, in accordance with the "Projected Unit Credit Method" and using the following actuarial assumptions:

Actuarial assumptions	2021	2020
Mortality rate	ISTAT 2019 tables	ISTAT 2018 tables
Disability rate	INPS-1998 tables	INPS-1998 tables
Personnel turnover rate	0.7%	1.5%
Discount rate	0.3%	0.3%
Salary increase rate	1.75%	1.8%
Advance rate	0.7%	0.7%
Inflation rate	1.75%	1.80%

As at 31 December 2021 a 0.30% rate was used. In the event of shifts in the interest rate curve by +0.5%, the decrease in the provision would be EUR 1,465 thousand, whereas a decrease in the rate of -0.5% would imply an increase in the provision of EUR 1,557 thousand.
With regard to inflation, the rate used at 31 December 2021 was 1.75%. Assuming an increase in the parameter of +0.5% il the provision would increase by Euro 1,052 thousand, whereas an decrease in the rate of -0.5% would cause the provision to increase by Euro 1,018 thousand.

Reconciliation of the opening and closing balances of the defined benefit liability:

	2021
Opening balance	**38,452**
Use of post-employment benefits	-857
Interest expenses	114
Service cost	18
Actuarial gains/losses	-446
Changes for non-recurring transactions	-
Other changes	-182
Closing balance	**37,099**

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Provisions for credit risk on commitments and financial guarantees given	5,947	6,444
2. Provisions for other commitments and guarantees given	19,062	6,696
3. Company pension plans	1,784	1,840
4. Other provisions for risks and charges	188,746	92,697
4.1 Legal and tax-related disputes	33,116	14,334
4.2 Personnel expenses	72,485	57,930
4.3 Other	83,145	20,433
Total	**215,539**	**107,677**

The change in item "4.2 personnel expenses" resulted from the provision for the 2021 Next Generation 2021 and payments for services covered by the 2016 and 2018 redundancy funds.

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions: legal disputes	Other provisions: personnel expenses	Other provisions: other
A. Opening balance	**6.696**	**1.840**	**14.334**	**57.930**	**20.433**
B. Increases	**12.366**	**32**	**22.048**	**42.778**	**68.243**
B.1 Provision for the period	12.366	-	22.048	42.709	68.243
B.2 Changes due to passage of time	-	14	-	-	-
B.3 Changes due to alterations in the discount rate	-	-	-	69	-
B.4 Other changes	-	18	-	-	-
C. Decreases	**-**	**-88**	**-3.266**	**-28.223**	**-5.531**
C.1 Use in the period	-	-	-3.116	-26.982	-5.531
C.2 Changes due to alterations in the discount rate	-	-86	-	-	-
C.3 Other changes	-	-2	-150	-1.241	-
D. Closing balance	**19.062**	**1.784**	**33.116**	**72.485**	**83.145**

Item “B.4 Other changes” or item “C.3 Other changes” report actuarial gains and lossesi.

10.3 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
Commitments to disburse funds	1,841	216	2,306	-	4,363
Financial guarantees given	235	37	1,312	-	1,584
Total	**2,076**	**253**	**3,618**	**-**	**5,947**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2021, there were no provisions for other commitments and guarantees given.

10.5 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Information on the characteristics of the entity’s defined benefit plans and risks associated with them

Having regard to its pension plans, Credito Valtellinese has an obligation to the Group Pension Plan as to the permanence over time of the technical balance of defined-benefit Section II of the Group Pension Plan until there are no more people entailed to the benefits.

2. Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

As at 31 December 2021 the actuarial value of the defined-benefit obligation was Euro 8,687 thousand. In 2021 benefits/repayments totalled Euro 1,123 thousand, service costs came to Euro 7 thousand, interest expenses accrued were Euro 75 thousand, and actuarial gains were recognized amounting to Euro 64 thousand.

3. Disclosure of the fair value of the plan assets

The assets serving the plan that was transferred to defined-benefit Section of the Group pension fund consist in of cash and cash equivalents amounting to Euro 6,903 thousand.

4. Description of the main actuarial assumptions

The main assumptions used for the measurement are represented below.

Actuarial assumptions	2021	2020
Mortality rate	A62I tables	A62I tables
Disability rate	INPS-1998 tables	INPS-1998 tables
Discount rate	0.80%	0.80%
Rate of increase in services CV	1.80%	1.80%
Rate of increase in ex CA services	0.99%	0.99%

6. Multi-employer plans

As at the reporting date, there were no multi-employer plans

7. Defined-benefit plans that share risks between various entities under common control

The individual entities allocate in their separate financial statements the net cost of the defined benefit plan

10.6 PROVISIONS FOR RISKS AND CHARGES - OTHER PROVISIONS

Other provisions for legal disputes mainly refer to the disposal of non-performing loans (Euro 7,214 thousand), compound interest (Euro 7,138 thousand), out-of-court claims (Euro 2,633 thousand), bankruptcy revocatory actions (Euro 1,854 thousand), financial instruments (Euro 1,637 thousand), labour law lawsuits (Euro 962 thousand) and other lawsuits (Euro 11,678 thousand).

Other provisions for personnel expenses also include voluntary redundancy provisions for 2016, 2018 and 2021 determined based on actuarial valuations for Euro 63,732 thousand and other provisions for personnel for Euro 8,495 thousand concerning incentives.

For further details on the nature of legal risks, please refer to the specific chapter of part E of the Notes to the financial statements..

Section 13 – Parent Company Shareholders' Equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 SHARE CAPITAL AND TREASURY SHARES: BREAKDOWN

At 31 December 2021, the fully paid-in and subscribed share capital of Credito Valtellinese stood at EUR 1,643,508,053 and consisted of 70,149,694 ordinary shares with no nominal value.

Equity per share as at 31 December 2021 was Euro 21,568.

13.2 SHARE CAPITAL – NUMBER OF SHARES OF THE PARENT: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**70,149,694**	**-**
- fully paid in	70,149,694	-
- partially paid in	-	-
A.1 Treasury shares (-)	-6	-
A.2 Outstanding shares: opening balance	70,149,688	-
B. Increases	**6**	**-**
B.1 New issues	-	-
- for a consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	6	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**70,149,694**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares - closing balance	70,149,694	-
- fully paid in	70,149,694	-
- partially paid in	-	-

Section 14 - Minority interests - Item 190

14.1 BREAKDOWN OF ITEM 190 "MINORITY INTERESTS"

Denominazione imprese	31 Dec. 2021	31 Dec. 2020
Equity investments in consolidated companies with significant minority interests	-	-
Other equity investments	12	21
Total	**12**	**21**

Minority interests stood at Euro 12 thousand and refer to Creval Covered Bond and to the securitization SPE.

OTHER INFORMATION

1. Commitments and financial guarantees given

	Notional value on commitments and financial guarantees given				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI		
1 Commitments to disburse funds	**4,710,059**	**80,903**	**19,389**	**-**	**4,810,351**	**4,745,907**
a) Central Banks	-	-	-	-	**-**	**-**
b) Public administration bodies	461,227	31,132	-	-	**492,359**	**303,515**
c) Banks	403	3,452	-	-	**3,855**	**5,537**
d) Other financial companies	462,581	3,031	199	-	**465,811**	**197,672**
e) non-financial corporations	3,143,675	31,304	17,835	-	**3,192,814**	**3,572,722**
f) Households	642,173	11,984	1,355	-	**655,512**	**666,461**
2. Financial guarantees given	**196,470**	**2,176**	**2,962**	**-**	**201,608**	**201,933**
a) Central Banks	-	-	-	-	**-**	**-**
b) Public administration bodies	15	-	-	-	**15**	**-**
c) Banks	46,467	-	-	-	**46,467**	**46,496**
d) Other financial companies	135	-	-	-	**135**	**314**
e) non-financial corporations	143,588	2,030	2,628	-	**148,246**	**148,236**
f) Households	6,265	146	334	-	**6,745**	**6,887**

2. Other commitments and guarantees given

Nominal value	31 Dec. 2021	31 Dec. 2020
1. Other guarantees given	**389,304**	**412,767**
- of which: non-performing exposures	29,861	28,414
a) Central Banks	-	-
b) Public administration bodies	3,758	3,225
c) Banks	4,192	7,726
d) Other financial companies	9,302	14,058
e) non-financial corporations	342,124	356,065
f) Households	29,928	31,693
2. Other commitments	**44,065**	**12,905**
- of which: non-performing exposures	-	-
a) Central Banks	-	-
b) Public administration bodies	4,466	3,048
c) Banks	30,521	-
d) Other financial companies	9,078	9,857
e) non-financial corporations	-	-
f) Households	-	-

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	31 Dec. 2021	31 Dec. 2020
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	76,254	92,332
3. Financial assets measured at amortized cost	6,413,316	5,236,885
4. Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

The assets indicated above were used as a guarantee for funding repurchase agreements, issue of bank drafts, derivatives, securities issued during securitisation transactions, loans from the European Central Bank (recognised among due to central banks in the table "Financial liabilities at amortised cost: breakdown by type of due to banks"), loans received from the European Investment Bank (recognised among due to banks - Loans in the table "Financial liabilities at amortised cost: breakdown by type of due to banks") and from Cassa Depositi e Prestiti (recognised among due to customers - Loans in the table "Financial liabilities at amortised cost: breakdown by type of due to customers").

5. Management and intermediation services

Type of services	31 Dec. 2021	31 Dec. 2020
1. Trading on behalf of customers	**-**	**-**
a) Purchases	-	-
1. settled	-	-
2. not yet settled	-	-
b) Sales	-	-
1. settled	-	-
2. not yet settled	-	-
2. Asset management	**-**	**-**
a) individual	-	-
b) collective	-	-
3. Custody and administration of securities	**10,793,930**	**12,428,527**
a) third-party securities on deposit held for depository bank services (excluding asset management)	-	-
1.Securities issued by companies in the consolidation scope	-	-
2. other securities	-	-
b) securities of third parties deposited (excluding portfolio management): other	2,685,156	3,032,026
1.Securities issued by companies in the consolidation scope	139,456	336,018
2. other securities	2,545,700	2,696,008
c) third-party securities deposited with third parties	2,375,547	2,481,910
c) proprietary securities deposited with third parties	5,733,227	6,914,591
4. Other transactions	**3,606,978**	**3,219,142**

Item 3. d) "treasury securities deposited with third parties" also includes treasury securities not recognised under assets coming from securitisations and reverse repurchase agreements.
The amount under item "4. Other transactions" refers to customers' insurance investments.

6. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

IFRS 7 requires specific disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, as they are governed by "master netting agreements or similar arrangements" that do not comply with all the requirements laid down by IAS 32 for netting.
There are no netting agreements for which to offset the balances in the balance sheet pursuant to IAS 32 As regards instruments that can be potentially offset, the tables below show the financial instruments regulated by the following agreements:

- For derivative instruments: "ISDA Master Agreement" clearing house netting arrangements;
- For repurchase agreements for lending and funding purposes: "Global Master Repurchase Agreements (GMRA)";
- For securities lending: "Global Master Securities Lending Agreements (GMSLA)".

Technical forms	Gross amount of financi al assets (a)	Amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Amount (f=c-d-e) 31 Dec. 2021	Amount 31 Dec. 2020
				Deposited financial Instrume (d)	Cash deposits received as collateral (e)		
1. Derivatives	-	-	-	-	-	-	-
2. Repurchase agreements	-	-	-	-	-	-	2,420
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	-	-	-	-	-	-	X
Total 31 Dec. 2020	417,010	-	417,010	414,590	-	X	2,420

7. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset (b)	Net amount of financial liabilities (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2021	Amount 31 Dec. 2021
				Deposited financial Instruments (d)	Cash deposits as collateral (e)		
1. Derivatives	126.409	-	126.409	-	126.330	79	307
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	126.409	-	126.409	-	126.330	79	X
Total 31 Dec. 2020	478.351	-	478.351	319.294	158.750	X	307

The derivatives stated in the table are measured at fair value, whereas the other items are measured at amortized cost. Derivatives are stated in the tables of financial assets and liabilities contained in the previous Sections.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Financial assets measured at fair value through profit or loss	140	-	-	140	445
1.1 Financial assets held for trading	1	-	-	1	6
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	139	-	-	139	439
2. Financial assets measured at fair value through other comprehensive income	6,109	-	X	6,109	6,484
3. Financial assets measured at amortized cost:	54,244	311,281	-	365,525	403,545
3.1 Due from banks	1,317	359	X	1,676	2,318
3.2 Loans to customers	52,927	310,922	X	363,849	401,227
4. Hedging derivatives	X	X	(14,385)	(14,385)	(13,670)
5. Other assets	X	X	324	324	2
6. Financial liabilities	X	X	X	47,436	25,304
Total	**60,493**	**311,281**	**(14,061)**	**405,149**	**422,110**
of which: interest income on impaired financial assets	-	24,585	-	24,585	43,889
of which: interest income on finance leases	X	5,174	X	5,174	5,961

Item "4. Hedging Derivatives" reports the balance of differentials on hedging derivatives stated not in accordance with the differential sign but rather with the sign of the interest flow that the derivatives modify. Item "6. Financial liabilities" mainly reports interest income relating to TLTRO-II.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 INTEREST INCOME ON FOREIGN CURRENCY FINANCIAL ASSETS

Items	31 Dec. 2021	31 Dec. 2020
Interest income on foreign-currency financial assets	273	599

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Financial liabilities measured at amortized cost					
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(179)	X	X	(179)	(1,035)
1.3 Due to customers	(35,286)	X	X	(35,286)	(51,340)
1.4 Debt securities issued	X	(24,324)	X	(24,324)	(26,480)
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	-	-	-
6. Financial assets	X	X	X	(13,940)	(3,070)
Total	**(35,465)**	**(24,324)**	**-**	**(73,729)**	**(81,925)**
Of which: interest expenses on lease liabilities	(4,808)	X	X	(4,808)	(5,647)

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 INTEREST EXPENSES ON FOREIGN-CURRENCY LIABILITIES

	31 Dec. 2021	31 Dec. 2020
Interest on foreign-currency liabilities	(215)	(299)

1.5 DIFFERENTIALS ON HEDGING TRANSACTIONS

Items	31 Dec. 2021	31 Dec. 2020
A. Positive differentials on hedging transactions	3,615	4,346
B. Negative differentials on hedging transactions	(18,000)	(18,016)
C. Balance (A-B)	**(14,385)**	**(13,670)**

Section 2 – Fees and commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	**45,093**	**35,955**
1. Placement of securities	40,913	31,873
1.1 With firm commitment underwriting and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	40,913	31,873
2. Receipt and transmission of orders and trading on customers' behalf	3,883	3,840
2.1 Receipt and transmission of orders for one or more financial instruments	3,881	3,840
2.2 Trading on behalf of customers	2	-
3. Other fees and commissions on activities in financial Instruments	297	242
Of which: proprietary trading	-	-
Of which: individual portfolio management	-	-
b) Corporate Finance	**1,012**	**928**
1. M&A advice	-	-
2. Treasury services	1,012	928
3. Other fees and commissions on corporate finance services	-	-
c) Investing advice	**-**	**-**
d) Clearing and settlement	**-**	**-**
e) Collective portfolio management	**-**	**-**
f) Custody and administration	**525**	**478**
1. Depositary bank services	50	-
2. Other fees and commissions on custody and administration	475	478
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary activities	**-**	**-**
i) Payment services	**127,875**	**120,904**
1. Current accounts	53,915	53,674
2. Credit cards	29,336	24,186
3. Debit cards and other payment cards	14,300	13,648
4. Credit transfers and other payment orders	26,963	26,150
5. Other fees and commissions on payment services	3,361	3,246
j) Distribution of third-party services	**41,670**	**34,174**
1. Collective portfolio management	-	-
2. Insurance products	24,586	20,258
3. Other products	17,084	13,916
O/w:individual portfolio management	7,955	8,110
k) Structured finance	**609**	**128**
l) Securitization servicing	**-**	**-**
m) Commitments to disburse funds	**1**	**1**
n) Financial guarantees given	**5,060**	**5,347**
Of which: credit derivatives	-	-
o) Financing transactions	**36,769**	**45,048**
Of which: for factoring	4,026	3,742
p) Foreign exchange trading	**2,874**	**2,896**
q) Commodities	**-**	**-**
r) Other fee and commission income	**7,796**	**9,337**
Of which: for management of multilateral trading facilities	-	-
Of which: management of organized trading facilities	-	-
Total	**269,284**	**255,196**

Fee and commission income reported under item "o) Financing transactions " mainly refer to fee and commissions on arranged overdraft facility for Euro 30,547 thousand and fees and commission on loans origination deriving from financial assets not designated at fair value through profit or loss for Euro 2,196 thousand.

Fee and commission income reported under item "r) other fee and commission income" mainly refer to internet banking fees and commissions.

2.2 FEE AND COMMISSION EXPENSES: BREAKDOWN

Type of services/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	**(648)**	**(363)**
Of which trading in financial instruments	(648)	(363)
Of which: placement of financial instruments	-	-
Of which: individual portfolio management	-	-
- ON own account	-	-
- Delegated by third parties	-	-
b) Clearing and settlement	**(140)**	**(151)**
c) Collective portfolio management	**-**	**-**
- ON own account	-	-
- Delegated by third parties	-	-
d) Custody and administration	**(788)**	**(886)**
e) Collection and payment services	**(23,250)**	**(20,638)**
Of which: credit cards, debit cards and other payment cards	(21,576)	(18,850)
f) Securitization servicing	**-**	**-**
g) Commitments to receive funds	**-**	**-**
h) Financial guarantees received	**(800)**	**(1,063)**
Of which: credit derivatives	-	-
i) Off-premises distribution of financial instruments, products and services	**-**	**-**
j) Foreign exchange trading	**(1)**	**(1)**
k) Other fee and commission expenses	**(1,375)**	**(1,678)**
Total	**(27,002)**	**(24,780)**

Section 3 – Dividend and similar income - Item 70

3.1 DIVIDEND AND SIMILAR INCOME: BREAKDOWN

Items/Revenues	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	7	-	1	2
B. Other financial assets mandatorily measured at fair value	-	1,056	-	642
C. Financial assets measured at fair value through other comprehensive income	124	-	116	-
D. Equity investments	-	-	-	-
Total	**131**	**1,056**	**117**	**644**

Similar income relating to "B. Other financial assets mandatorily measured at fair value" mainly consists of income from OICR (Collective Investment Undertakings) units.

Section 4 – Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**72**	**-**	**(21)**	**51**
1.1 Debt securities	-	-	-	(1)	(1)
1.2 Equity securities	-	70	-	(5)	65
1.3 Units of O.I.C.R. collective investment undertakings	-	2	-	(15)	(13)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**197**
4. Derivatives	**-**	**3**	**-**	**-**	**1,189**
4.1 Derivatives:					
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and equity indices	-	3	-	-	3
- On foreign exchange and gold	X	X	X	X	1,186
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
Total	**-**	**75**	**-**	**(21)**	**1,437**

Section 5 - Net profits (losses) on hedging activities - Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Income from:		
A.1 Fair value hedging derivatives	31,410	-
A.2 Hedged financial assets (fair value)	-	6,969
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**31,410**	**6,969**
B. Expenses for:		
B.1 Fair value hedging derivatives	-	(7,139)
B.2 Hedged financial assets (fair value)	(31,331)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging financial derivatives	-	-
B.5. Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)		**(7,139)**
C. Net profit (loss) on hedging activities (A - B)	**79**	**(170)**
of which: fair value adjustments in hedge accounting on net positions	-	-

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	Total 31 Dec. 2021			Total 31 Dec. 2020		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
A. Financial Assets						
1. Financial assets measured at amortized cost						
1.1 Due from banks	183	-	183	-	-	-
1.2 Loans to customers	25,985	(41,454)	(15,469)	28,163	(6,780)	21,383
2. Financial assets measured at fair value through other comprehensive income						
2.1 Debt securities	609	(711)	(102)	1,247	-	1,247
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**26,777**	**(42,165)**	**(15,388)**	**29,410**	**(6,780)**	**22,630**
B. Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Profits (losses) reported under item “1.2 Loans to and receivables from customers” refer to realized gains on debt securities (mainly trading of Italian government securities for Euro 14,700 thousand, while the remaining portion refers to the Stelvio project, which is described in the Management Report, and to single disposals of loans.

Section 7 – Net profit (loss) on 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 MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE

In the period there were no financial assets and liabilities designated at fair value.

7.2 NET CHANGE IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE

Transactions/income components	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	**-**	**87**	**(51,306)**	**(937)**	**(52,156)**
1.1 Debt securities	-	-	(893)	-	(893)
1.2 Equity securities	-	59	-	(821)	(762)
1.3 Units of O.I.C.R. collective investment undertakings	-	28	(50,413)	(116)	(50,501)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	-
Total	**-**	**87**	**(51,306)**	**(937)**	**(52,156)**

The capital losses on O.I.C.R. collective investment undertakings resulted from the application of the Parent Company's measurement models and policy.

Section 8 - Net adjustments/recoveries for credit risk - Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Transactions/income components	Value adjustments					
	Stage 1	Stage 2	Stage 3		POCI assets	
			Write-off	Other	Write-off	Other
A. Due from Banks	**(15)**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-	-
- Debt securities	(15)	-	-	-	-	-
B. Loans to customers	**(25,393)**	**-**	**(7,619)**	**(426,325)**	**-**	**-**
- Loans	(21,423)	-	(7,619)	(426,325)	-	-
- Debt securities	(3,970)	-	-	-	-	-
Total	**(25,408)**	**-**	**(7,619)**	**(426,325)**	**-**	**-**

Transactions/income components	Recoveries				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI assets		
A. Due from Banks	**57**	**24**	**-**	**-**	**66**	**501**
- Loans	47	24	-	-	71	475
- Debt securities	10	-	-	-	(5)	26
B. Loans to customers	**397**	**1,697**	**20,458**	**-**	**(436,785)**	**(113,417)**
- Loans	13	1,697	20,458	-	(433,199)	(114,021)
- Debt securities	384	-	-	-	(3,586)	604
Total	**454**	**1,721**	**20,458**	**-**	**(436,719)**	**(112,916)**

Adjustments of/recoveries on financial assets at amortized cost classified as assets held for sale under IFRS 5 came to Euro 49.6 million.

8.1a NET ADJUSTMENTS FOR CREDIT RISK ON LOANS MEASURED AT AMORTIZED COST UNDER COVID-19 SUPPORT MEASURES: BREAKDOWN

Transactions/income components	Net adjustments						31 Dec. 2021	31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets			
			Write-off	Other	Write-off	Other		
1. Loans with EBA-compliant concessions	(980)	(10,798)	-	(46,342)	-	-	(58,120)	(1,739)
2. Loans under moratoria in force no longer EBA-compliant and not assessed as forborne	(54)	(69)	-	(7,988)	-	-	(8,111)	-
3. Loans under other concession measures	-	(2,679)	-	(19,851)	-	-	(22,530)	(269)
4. New loans	(3,932)	(244)	-	(6,091)	-	-	(10,267)	(2,483)
Total 31 Dec. 2021	**(4,966)**	**(13,790)**	**-**	**(80,272)**	**-**	**-**	**(99,028)**	**-**
Total 31 Dec. 2020	**(3,393)**	**-**	**-**	**(1,098)**	**-**	**-**	**-**	**(4,491)**

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AL FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Value adjustments					
	Stage 1	Stage 2	Stage 3		POCI assets	
			Write-off	Altre	Write-off	Altre
A. Debt securities	(737)	-	-	-	-	-
B. Loans	-	-	-	-	-	-
- to customers	-	-	-	-	-	-
- to banks	-	-	-	-	-	-
Total	**(737)**	**-**	**-**	**-**	**-**	**-**

Transactions/income components	Value adjustments				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI assets		
A. Debt securities	165	145	-	-	(427)	930
B. Loans	-	-	-	-	-	-
- to customers	-	-	-	-	-	-
- to banks	-	-	-	-	-	-
Total	**165**	**145**	**-**	**-**	**(427)**	**930**

Section 9 – Profits/losses on contract modifications without derecognition - Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

This item, amounting to Euro 366 thousand, refers to the adjustment made to the carrying amounts of financial assets as a result of the changes made to contractual cash flows that do not give rise to derecognitions.i.

Section 12 – Administrative expenses - Item 190

12.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1) Employees	(285,966)	(241,901)
a) wages and salaries	(163,962)	(159,224)
b) social security contributions	(51,241)	(48,034)
c) severance benefits	(10,511)	(10,315)
d) pensions	-	-
e) allocation to employee severance benefit provision	(362)	(350)
f) allocation to provision for post-employment and similar obligations:		
- defined-contribution	-	-
- defined-benefit	(23)	(351)
g) payment to external supplementary pension schemes:		
- defined-contribution	(7,208)	(5,813)
- defined-benefit	-	-
h) costs from share-based payment agreements	(2,580)	(654)
i) other employee benefits	(50,079)	(17,160)
2) Other staff	(17)	-
3) Directors and Auditors	(2,051)	(3,344)
4) Retired personnel	(1)	-
Total	**(288,035)**	**(245,245)**

Item i) “Other employee benefits” includes, for the year 2021, the charge of Euro 38 million related to to the voluntary early redundancy plan envisaged by the agreements signed with the trade unions on 01.10.2021.

10.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31 Dec. 2021	31 Dec. 2020
Employees:	3,254	3,335
a) Senior Managers	33	33
b) Junior Managers	1,359	1,352
c) other Employees	1,862	1,950
Other staff	-	-
Total	**3,254**	**3,335**

12.3 - COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Please, see Section B – Pension plans.

12.4 OTHER EMPLOYEE BENEFITS

Other employee benefits include for 2021 bonuses and incentive systems and wage increases, meal voucher expenses, scholarships for the children of the employees and insurance policies.

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Expenses for professional and advisory services	(15,026)	(21,075)
Insurance premiums	(8,830)	(3,109)
Advertising	(492)	(424)
Postage, telephone and data transfer	(4,958)	(5,297)
IT services	(24,632)	(25,951)
Electricity, heating and shared property service charges	(6,346)	(6,433)
Administrative and logistics costs	(2,211)	(2,156)
Property management	(7,589)	(7,695)
Transport and travel	(1,173)	(1,122)
Security and transport of valuables	(2,898)	(3,171)
Membership fees	(1,718)	(2,051)
Audit fees	(1,068)	(1,178)
Maintenance and lease of hardware and software	(6,752)	(6,761)
Business and financial information	(5,427)	(5,592)
Rent expenses	(840)	(825)
- indirect personnel expenses	(701)	(547)
Direct and indirect taxes	(40,134)	(40,986)
SRF, DGS and additional contributions	(25,747)	(26,282)
Miscellaneous items	(9,672)	(9,235)
Total	**(166,214)**	**(169,890)**

Item “SRF, DGS and additional contributions” includes the ordinary and extraordinary contributions requested by the Single Resolution Fund (SRF) and by the Interbank Guarantee Fund (DGS). The Bank of Italy, with the notice of 19 may 2021, announced the amount of ordinary contributions due by the Bank to the Single Resolution Fund of EUR 8,039 thousand net of IPCs (Irrevocable Payment Commitments Moreover, on 17 June 2021, payment was requested of an additional contribution for a total amount of EUR 3,081 thousand With notice of 17 December 2021, the Interbank Deposit Protection Fund requested payment of the 2021 ordinary contribution amounting to Euro 14,554 thousand. The item also includes contributions for the operating expenses of the SRF and DGS funds paid during the year amounting to Euro 73 thousand.

Item “Miscellaneous items” includes DTA fees of Euro 2,753 thousand and donations to Fondazione Credito Valtellinese for Euro 600 thousand.

With regard to the average payment times for transactions carried out during the year, note that these are made on the basis of agreements with counterparties or, in the absence of a specific agreement, at 30 days from the invoice date for counterparties for which there are no discrepancies between the order and the provision of the service/good received.

The amounts paid to the independent audit firm and its network companies pursuant to Article 2427, first paragraph, sub- paragraph 16-bis of the Italian Civil Code can be found in the annexes to the financial statements.

Section 13 – Net provisions for risks and charges – Item 200

13.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

Items	31 Dec. 2021	31 Dec. 2020
Commitments to disburse funds	(181)	(499)
Financial guarantees given	752	(256)
Total	**571**	**(755)**

13.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

Items	31 Dec. 2021	31 Dec. 2020
Other commitments to disburse funds	-	-
Other guarantees given	(12,366)	1,715
Total	**(12,366)**	**1,715**

13.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

Items	31.12.2021	31.12.2020
Provisions for lawsuits in which the Bank is the defendant and revocatory actions	**(22,045)**	**6,246**
-reallocations	1,767	8,856
- provisions	(23,812)	(2,610)
Provisions for other risks and charges	**(68,243)**	**(7,797)**
-reallocations	4,379	1,669
- provisions	(72,622)	(9,466)
Total	**(90,288)**	**(1,551)**

Section 14 – Net adjustments to/recoveries on property, plant and equipment – Item 210

14.1 NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a+b-c)
A. Property, plant and equipment:				
1 Operating assets				
- owned	(11,576)	(53,375)	-	(64,951)
- Rights of use acquired through leases	(18,503)	(6,165)	-	(24,668)
2. Investment property				
- owned	(3,066)	(22,040)	-	(25,106)
- Rights of use acquired through leases	(750)	(1,159)	-	(1,909)
3. Inventories	X	-	-	-
Total	**(33,895)**	**(82,739)**	**-**	**(116,634)**

Section 15 – Net adjustments to/recoveries on intangible assets – Item 220

15.1 NET ADJUSTMENTS TO INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a+b-c)
A. Intangible assets	**(8,679)**	**(10,966)**	**-**	**(19,645)**
- of which. software	(8,679)	(10,966)	-	(19,645)
A.1 Owned	(8,679)	(10,966)	-	(19,645)
- Internally generated	(5,610)	(5,808)	-	(11,418)
- Other	(3,069)	(5,158)	-	(8,227)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(8,679)**	**(10,966)**	**-**	**(19,645)**

Intangible assets, both internally generated and purchased, were software. Impairment refers to the reduction in the useful life of the assets resulting from the merger of Credito Valtellinese into Crédit Agricole Italia scheduled for April 2022.

Section 16 - Other operating expenses and income - Item 230

16.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Amortization of expenditure for leasehold improvements	(471)	(626)
Property costs	-	(21)
Penalties	(1,713)	-
Other expenses	(3,080)	(5,940)
Total	**(5,264)**	**(6,587)**

16.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Rent and subrent income	2,320	2,972
Loan application processing expenses recovered	240	442
Income from IT services	6,483	6,537
Income form other services	874	879
Indirect taxes recovered	35,017	35,779
Insurance policy fees recovered	826	867
Legal and notary expenses recovered	1,649	2,330
Other income	4,502	11,993
Total	**51,911**	**61,799**

Other income mainly consisted of insurance refunds.

Section 17 – Profits (losses) on equity investments – Item 250

17.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Joint arrangements		
A. Income	**27**	**19**
1. Revaluations	27	19
2. Profits on disposal	-	-
3. Recoveries/writebacks	-	-
4. Other income	-	-
B. Expenses	**-**	**-**
1. Writedowns	-	-
2. Losses on impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**27**	**19**
2. Investees subject to significant influence		
A. Income	**4,305**	**2,716**
1. Revaluations	4,305	2,705
2. Profits on disposal	-	11
3. Recoveries/writebacks	-	-
4. Other income	-	-
B. Expenses	**(20)**	**(34)**
1. Writedowns	-	-
2. Losses on impairment	(20)	-
3. Losses on disposal	-	(34)
4. Other expenses	-	-
Net profit (loss)	**4,285**	**2,682**
Total	**4,312**	**2,701**

Section 18 – Net profit (loss) from property, plant and equipment and intangible assets measured at fair value – Item 260

18.1 NET PROFIT (LOSS) FROM PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AT FAIR VALUE (OR REVALUED AMOUNT) OR AT THEIR EXPECTED REALIZABLE VALUE: BREAKDOWN

Income components/Values	Revaluations (a)	Writedowns (b)	Foreign exchange differences		Net profit/loss (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plant and equipment:	**-**	**(14,690)**	**-**	**-**	**(14,690)**
A.1 Operating assets	-	-	-	-	-
- owned	-	-	-	-	-
- Rights of use acquired through leases	-	-	-	-	-
A.2 Investment property	-	-	-	-	-
- owned	-	-	-	-	-
- Rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	-	(14,690)	-	-	(14,690)
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	-	-	-	-	-
B.1.1 Internally generated	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	**-**	**(14,690)**	**-**	**-**	**(14,690)**

The amount of item "A.3 Inventories" reports the measurement of inventories at their expected realizable value determined based on independent appraisals.

Section 20 – Profits (losses) on disposal of investments - Item 280

20.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Real estate		
- Profits on disposal	1,970	756
- Losses on disposal	-	-
B. Other assets		
- Profits on disposal	-	33,136
- Losses on disposal	-	(2)
Net profit (loss)	**1,970**	**33,890**

Profits on disposal reported under item "B. Other assets" of 2020 mainly referred to the disposal of the pawnbrokerage business.

Section 21 – Taxes on income from continuing operations - Item 300

21.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Current taxes (-)	1	(3)
2. Changes in current taxes for previous years (+/-)	71	1,278
3. Reduction in current taxes for the year (+)	-	-
3.bis Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	346,257	5,881
5. Change in deferred tax liabilities (+/-)	1,316	1,969
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	347,645	9,125

21.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED - ITALIAN CORPORATE INCOME TAX (IRES)

	31 Dec. 2021
Loss before taxes from continuing operations	**(582,291)**
Taxable loss	**(582,291)**
IRES theoretical tax liability	**160,235**
Effect of non-deductible negative income components	(9,517)
Effect of non-taxable positive income components	193,093
IRES actual tax liability	**343,811**
- on continuing operations	343,811

21.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED - ITALIAN REGIONAL TAX ON PRODUCTIVE ACTIVITIES (IRAP)

	31 Dec. 2021
Loss before taxes from continuing operations	**(582,291)**
Taxable loss	**(582,291)**
IRAP theoretical tax liability	**32,458**
Effect of non-deductible negative income components	(30,994)
Effect of non-taxable positive income components	2,370
IRAP actual tax liability	**3,834**
- on continuing operations	3,834

Section 23 – (Profit) loss for the period attributable to minority interests – Item 340

23.1 BREAKDOWN OF ITEM 340 “(PROFIT) LOSS FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS”

Company name	31 Dec. 2021	31 Dec. 2020
Equity investments in consolidated companies with significant minority interests	-	-
Other equity investments	1	3
Total	**1**	**3**

Section 25 – Earnings (Loss) per share

Please, see the same section of the Notes to the financial statements of the Parent Company Crédit Agricole Italia.

PART D – CONSOLIDATED COMPREHENSIVE INCOME

BREAKDOWN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	Profit (Loss) for the period	(234,646)	113,193
Other income components not reclassified to profit or loss:		**(5,304)**	**4,809**
20.	Equity securities designated at fair value through other comprehensive income	(6,144)	(389)
	a) Fair value change	(6,348)	(803)
	b) Transfers to other equity components	204	414
70.	Defined-benefit plans	428	7,108
80.	Non-current assets held for sale and discontinued operations	20	-
90.	Share of valuation reserves on equity investments measured using the equity method	4	(36)
100.	Income taxes for other income components not reclassified to profit or loss	388	(1,874)
Other income components reclassified to profit or loss:		**(5,400)**	**139**
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(8,068)	208
	a) Fair value changes	(11,086)	(840)
	b) reclassification to profit or loss	3,018	1,048
	- adjustments for credit risk	(120)	(6)
	- profit/losses on disposal	3,138	1,054
	c) other changes	-	-
180.	Income taxes for other income components reclassified to profit or loss	2,668	(69)
190.	**Total other comprehensive income**	**(10,704)**	**4,948**
200.	**Comprehensive income (10+190)**	**(245,350)**	**118,141**
210.	Consolidated comprehensive income attributable to Minority Interests	1	3
220.	**Consolidated comprehensive income pertaining to the Parent Company**	**(245,349)**	**118,144**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Creval has adopted a system of governance and control of risks - broken down in the different Corporate Bodies/structures involved - in order to ensure the best oversight of material risks to which it is exposed and ensure, at the same time, consistency of operations with its risk appetite.

Furthermore, risk governance comprises the internal controls system, which is a key element in Creval's governance system as a whole and ensures that operations be constantly in line with its corporate strategies and policies. It plays a key role in the prevention, identification, management and mitigation of risks and also contributes to effective control of corporate risks, protection from losses and safeguarding of the value of its assets.

Risk appetite and culture dissemination

The risk appetite, which is a key element in the design of the strategic plan and the logic precondition for planning, is determined for material risks. Creval's risk appetite is defined with the definition of its Risk Appetite Framework taking into account the applicable prudential supervision rules, the business model, the funding and lending approaches and characteristics of Creval and the ability of the control structures to monitor and measure risks.

Risk management and control policies are the guidelines aimed at ensuring that the actual exposure to risks be consistent with the risk appetite set by the Governance Bodies and with the principles laid down in the Articles of Association expressing the Bank's identity. These policies also guide the operating structures that, in the exercise of their powers and responsibilities, pursue the management objectives assigned to them, Specifically, the risk management processes also envisage the definition, by Creval Board of Directors, of operational limits to the assumption of various types of risk, consistent with the risk appetite defined within the Risk Appetite Statement and of the development in the economic scenario.

The Bank's business operations are informed by principles of sound and prudent management and carried out in accordance with its Code of Conduct and the Code of Ethics, which shall be complied with by all the members of the corporate bodies and all employees. IN THAT scope, Creval's control culture played a key role in the set of its corporate values and involves its entire organization. To that effect, the internal controls system plays a key role in that:

- It represents a fundamental element of knowledge for corporate bodies in order to ensure full awareness of the situation and effective control of business risks and their interrelationships;;
- It guides the changes in strategic lines and company policies and allows for consistent adaptation of the organisational structure;
- It oversees the functionality of management systems and the compliance of prudential supervision requirements;
- It fosters the dissemination of a correct culture of risks, legality and corporate values.

The risk culture, as well as the focus on controls, is promoted and implemented as part of Corporate Governance.

Risk Appetite Framework

The Risk Appetite Framework lays down the risk level that Creval is willing to take in order to pursue its strategic objectives and business plan, taking all due account of the interest of its stakeholders (e.g. Customers, regulators, supervisory authorities and shareholders), as well as its capital requirements and the other applicable regulatory and law requirements.

The Risk Appetite Framework defines the risk profile that Creval wants, in terms of strategic targets (risk appetite), and limits, in order to ensure control on its risk-return positioning. The targets represent the amount of risk that Creval intends to assume under normal operating conditions in accordance with the Business Plan. The limits represent the highest level of risk taking acceptable to Creval. The limits have different levels of severity that, when exceeded, trigger different processes of escalation.

Creval's Risk Appetite Framework is structured as outlined below:

- Risk Profile (actual risk): the risk actually taken, as measured at a given point in time;
- Risk Appetite (risk objective or risk appetite): level of risk (overall and by type) Creval is willing to take in order to pursue its strategic objectives;
- Risk Tolerance (tolerance threshold): maximum allowed deviation from the risk appetite; the tolerance threshold has been set in order to ensure that, in all cases, Creval has sufficient margins to operate, also in stress scenarios, within its risk capacity;
- Trigger point: threshold that, if exceeded, signals deterioration in Creval's financial and cash flow balance. If the threshold is reached, it is assessed whether an alert/crisis situation is occurring;
- Risk Capacity (maximum risk that can be taken): the maximum level or risk that the Group is technically able to take without violating any regulatory requirements or other restrictions laid down by its Shareholders or by the Supervisory Authority;
- Risk Limits: the structuring of risk objectives into operational limits, set in accordance with the proportionality principle, by types of risk, business units and/or lines, product lines, types of Customers.

Creval has identified the circumstances upon whose occurrence reporting and escalation processes are triggered referring to the RAF ratios and indicators. To this end, a "traffic light" approach has been adopted to monitor the performance of the ratios and indicators, which is based on progressive alert thresholds and aims at promptly informing the Corporate Bodies of any signs of deterioration.

The Risk Appetite Framework was reviewed in February 2021, within the budget and planning processes, in order to ensure its consistency with Creval's strategy, with the business and market conditions and with its stakeholders' requirements. Moreover, special attention is paid to the systematic updating of the reference documents for risk monitoring, which are regularly submitted to the Corporate Bodies.

Internal controls system

The internal controls system is a key element in Creval's governance system as a whole and ensures that operations be constantly in line with its corporate strategies and policies. It plays a key role in the prevention, identification, management and mitigation of risks and also contributes to effective control of corporate risks, protection from losses and safeguarding of the value of its assets. A good system of internal controls contributes to proper and effective business operations and to ensuring compliance with the applicable legislation and regulations, as well as the reliability, accuracy and dependability of the corporate and financial information reporting.

In accordance with the supervisory rules in force, Creval has adopted the "internal controls system" definition given in Bank of Italy Circular no. 285 of 2013 "Supervisory Provisions for Banks" in Part One, Title IV, Chapter 3 (Section I "Preliminary provisions and general principles", para. 6 "General principles"). Specifically: The Internal Controls System consists of the set of rules, functions, structures, resources, processes and procedures that have been designed to ensure, in compliance with sound and conservative management principles, the achievement of the following objectives:

- Verifying that the set corporate strategies and policies are properly implemented;
- Keeping risks within the limits set in the Bank's Risk Appetite Framework (RAF);
- Safeguarding the value of assets and protecting from losses;
- Effectiveness and efficiency of the corporate processes as implemented;
- Reliability and security of corporate information and IT procedures;
- Preventing the risk that the Bank may be involved, also unintentionally, in unlawful activities (with specific regard to money/laundering, usury and terrorism financing);
- Compliance of corporate operations with the applicable legislation and supervisory regulations, as well as with the internal policies, regulations and procedures.

It is set out and formalized in a specific internal regulation, along with the structure of controls laid down by the whole set of corporate documents, which gives an organic and codified arrangement of the guidelines, procedures and organizational structures, risks and controls in force, implementing and complying with the corporate directions, the indications given by the Supervisory Authorities and the applicable legislation.

The set corporate rules outline organizational solutions that:

- Ensure sufficient separation between operational and control functions and avoid situations of conflict of interest in assigning responsibilities and powers;

- Are able to adequately identify, measure and monitor the main risks assumed in the various operating areas;
- Ensure appropriate information to the different levels of management in which functions of governance and control are vested The information flows are structured in such a way as to be complete, timely and addressed by the structures to the corporate bodies and to allow the circulation of proportionate information;
- Ensure that any anomalies found by the operating units, the internal audit function or the other control functions are monitored, as well as adequate information so that they are promptly brought to the attention of the suitable superiors of the company and managed immediately;;
- Ensure adequate levels of business continuity.

The design of the internal control system envisages the application of three types of control/levels:

- Line controls (known as "first-level controls"), aimed at ensuring proper execution of transactions. This is the scope of action of the "first line of defence" represented by the local entities, organisational structures or specific persons that assume/generate risk exposure in accordance with the structure of the delegated powers, the RAF and the risk limits;
- Controls on risks and on compliance (known as "second-level controls"), aimed at ensuring, among other things:
- Correct implementation of the risk management process;
- Compliance with the operating limits assigned to various functions;
- Compliance of business operations with the applicable legislation and regulations, including self-regulation.
- Internal audit (known as "third-level controls") "third line of defence", aimed at identifying violations of procedures and regulations as well as evaluating on a regular basis the completeness, adequacy, functions (in terms of efficiency and effectiveness) and reliability of the internal control system and of the information system (ICT audit), on a fixed basis in relation to the nature and intensity of risks.

Risk control and validation function

The risk management function, whose responsibility is assigned to the Chief Risk Officer (CRO) oversees the operation of Creval 's risk system by defining the appropriate methods for measuring the complex of current and future risks, in compliance with the applicable legislation and regulations and with the management choices identified in the RAF, monitoring them and verifying compliance with the limits established for the various business lines.

It comprises the following structures:

- Enterprise Risk Management Division;
- Credit Risk Management Division;
- Financial and Operational Risks Division;
- Internal Validation and Controls Division;
- Risk Advisory Service;

And, in accordance with the Supervisory Provisions for Banks[26]:

- It is involved in defining Creval's Risk Appetite Framework (RAF), the risk controlling policies and the different phases that form their management process as well as fixing the operational limits to the assumption of various types of risk. In this scope, it also has the task of proposing the quantitative and qualitative parameters required for defining the RAF, which also refer to stress scenarios and sensitivity analyses and, in case of amendments to the internal and external operating contexts of the bank, the adjustment of said parameters;
- It verifies the adequacy of the RAF;
- It verifies continuously the adequacy of the management process of risks and operating limits;

26 Bank of Italy, Circular no. 285 of 17 December 2013, "Supervisory provisions for banks", Part I, Title IV, Chapter 3, Section III, Paragraph 3.3, "Risk management function").

- Without prejudice to the rules applying to the governance of internal systems for calculating capital requirements, it is responsible for the development, validation and maintenance of risk measurement and control systems ensuring that they are subject to regular review, also on the basis of regular backtesting;;
- It defines common metrics for assessing the operational risks in compliance with the RAF, coordinating with the compliance department, the ICT department and the business continuity unit;
- It defines methods for assessing and monitoring reputational risks, coordinating with the compliance department and the most exposed corporate structures;
- It assists the corporate bodies in the assessment of strategic risk by monitoring the related significant variables;
- It provides Creval with reliable models and instruments, updated and adjusted for the management of risks implied in its business operations and fully compliant with the applicable legislation and regulations, and it ensures consistency of risk measurement and control systems with the processes and approaches to assess Creval business operations, coordinating with the corporate structures involved;
- It develops and implements indicators that are able to highlight situations of failure and inefficiency of the risk measurement and control systems;
- It analyses the risks of new products and services and those deriving from the entry in new operating and market segments;
- It expresses prior opinions on compliance with the RAF of the most material transactions (operazioni di maggior rilievo), by obtaining, where the case depending on the type of transaction, the opinion of other function holders involved in the risk management process;
- It constantly monitors the actual risk taken by the Bank and its compliance with the risk objectives as well as compliance with the operational limits assigned to the operating structures as regards taking various types of risk;
- It verifies the proper execution of performance monitoring and scoring on individual exposures, especially non- performing ones, and assesses the consistency of the classifications, the appropriateness of the provisions and the adequacy of the recovery process;
- It verifies the adequacy and effectiveness of the measures adopted to remedy the shortcomings detected in the risk management processes.

The above-listed activities are carried out on the basis of a structured framework, characterised mainly by the following elements:

- The RAF is the "reference framework that establishes - consistently with the maximum risk that may be taken - the business model and the strategic plan, the risk appetite, tolerance thresholds, risk limits, risk governance policies and the reference processes required to define and implement them." At the same time, it is a management tool that supports the achievement of the set objectives and is integrated with strategic and operational planning, and a control tool that identifies any overruns of the set limits;
- The risk management process, defined in compliance with RAF and intended as "all the rules, procedures, resources (human, technological and organisational) and control activities for identifying, measuring or assessing, monitoring, preventing or mitigating as well as notifying the suitable superiors of all risks assumed or which may be assumed in the various segments, at company and group portfolio level, applying integrated logic, also mutual inter-relations and the development of the external scenario"". The operational limits to the assumption of various types of risk and the related reporting processes are consistent with the risk appetite defined within the Risk Appetite Statement and with the development in the economic scenario;
- The Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), the results of which are summarised in the ICAAP-ILAAP Report that represents, on the one hand, the point of convergence and synthesis of the equity, economic and financial plans of the risk management, capital management and liquidity management and that, on the other hand, is an essential instrument supporting strategic planning and the implementation of the corporate decisions;
- The process of defining the Recovery Plan according to the indications of the supervisory bodies (Bank Recovery and Resolution Directive - BRRD, transposed into Italian law by Legislative Decree no. 180 of 16 November 2015), which establishes the methods and measures with which to intervene to restore the long-term economic sustainability of an institution in the event of a serious deterioration in its financial situation;
- The Contingency Funding and Recovery Plan (CFRP), which describes the procedures to be followed and the actions to be taken in the event of situations of severe stress or significant deterioration of the liquidity profile, or the possibility of such situations occurring. The framework provides for the implementation of an action plan in accordance with two criticality levels, following an assessment and escalation process starting from a set of systemic and idiosyncratic indicators; funding sources are also identified as are

the management levers that the Bodies in charge of addressing the crisis can activate in order to restore a normal liquidity situation. The CFRP is intended to manage short-term liquidity crises limited to this profile. Conversely, the Recovery Plan is intended to address situations of material deterioration in Creval's business affordability and financial situation.

Compliance and Anti-money-laundering functions

The compliance and anti-money laundering functions, which are the responsibility of the Deputy General Manager in charge of compliance and anti-money laundering, ensure management of the risk of non-compliance with the applicable legislation and the risk of money laundering Creval is exposed to.

With a risk-based approach, the structure engage in the compliance function oversees the management of non-compliance risk concerning all business operations, verifying that the internal procedures are suitable to prevent said risk. For the most relevant regulations for the purposes of the risk of non-compliance (those that regard the exercise of banking and intermediation activities, management of conflicts of interest, transparency with customers and, more generally, consumer protection regulations) and for those regulations for which no specialised monitoring is envisaged within the Bank, the Compliance Department is directly responsible for managing non-compliance risk.

Where specific types of specialised controls are envisaged within the Group, the Compliance Department is responsible, working with the assigned specialised functions, for defining the assessment methods for compliance risk and identifying the related procedures, and verifies the adequacy of said procedures to prevent non-compliance risk. In collaboration with Creval' s Compliance Department, . the specialised control unit is responsible for identifying the compliance risks present within the supervised regulatory area and the residual risk, as well as any shortcomings and possible mitigation actions. Moreover, it carries out control activities on the supervised matter and follows up on the critical points already identified, as well as assessing its own control over the regulations

As anti-money laundering function, the Area is in charge of overseeing the effort to prevent and manage the risk of money laundering and financing of terrorism, and is specifically assigned to prevent and combat the execution of those types of transactions. The Area constantly verifies that the business procedures align with the goal of preventing and combating the breach of external rules (laws and regulations) and self-regulations concerning money laundering and the financing of terrorism With regard to the organisational elements of the function, two units are set up within the Department, in charge of anti-money laundering and reporting suspicious transactions, respectively.

The internal audit function

The Auditing function, the responsibility for which is assigned to the Head of the Auditing Department, is under the Board of Directors and ensures the correct carrying-out of third-level controls. In that scope, the Auditing Department, on one hand, with a view to third-level controls, including through on-site audits, monitors the regular performance of operations and the evolution of risks and, on the other, assesses the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system, bringing potential improvements to the attention of the corporate bodies, with specific regard to the RAF, the risk management process and the tools for risk management and control. Based on the results of its controls, it formulates recommendations to Corporate Bodies, also with reference to the IT system.

Moreover, pursuant to Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3), the Board of Directors of Creval appointed the Head of the Internal Reporting System (known as whistleblowing) in the person of the Head of the Auditing Department of the Parent (Group Policy no. 27 "Reporting violations of banking regulations").

Manager in charge of the preparation of corporate accounting documents

The monitoring of the reliability of the company's accounting documents and of the financial reporting process is carried out by the Manager in charge of financial reporting of Credito Valtellinese, in compliance with the provisions of Article 154-bis of the Italian Consolidated Law on Finance and its implementing provisions. Pursuant to Law 262/05 and Article 154-bis of the Consolidated Finance Act, the Manager in charge of financial reporting carries out the following tasks:

- He or she signs the certification attesting that all deeds and communications given by Creval to the market and all financial reporting and financial statements, also interim ones, presented by Creval are consistent with the documentary evidence, books and accounting entries;

- He or she designs and implements suitable administrative and accounting procedures for the formation of the separate and consolidated financial statements as well as all other financial communications; makes a specific statement together with the Chief Executive Officer of Creval, according to the model defined by Consob, on the financial statements, on the condensed interim consolidated report and on the consolidated financial statements.

For effective management of the governance process of the administrative and accounting area,the Manager in charge works with a support unit that is part of the Administration and Financial Reporting Department of Credito Valtellinese and with the “Italian Law 262/05 Representatives”.

Section 1 – Risks of accounting consolidation

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely To Pay	Non-performing past due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortized cost	25,205	525,764	11,348	59,430	21,661,149	22,282,896
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	613,016	613,016
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	1,705	1,705
5. Financial assets being divested	6,967	23,972	561	12,536	421,653	465,689
Total 31 Dec. 2021	**32,172**	**549,736**	**11,909**	**71,966**	**22,697,523**	**23,363,306**
Total 31 Dec. 2020	**114,382**	**361,717**	**20,732**	**75,154**	**21,403,011**	**21,974,996**

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			
	Net exposure	Total adjustments	Net exposure	Total/ partial write-offs(*)	Net exposure	Total adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortized cost	1,169,384	-607,067	562,317	6,802	21,805,494	-84,915	21,720,579	22,282,896
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	613,921	-905	613,016	613,016
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	1,705	1,705
5. Financial assets being divested	116,711	-85,211	31,500	3,105	437,141	-2,952	434,189	465,689
Total 31 Dec. 2021	**1,286,095**	**-692,278**	**593,817**	**9,907**	**22,856,556**	**-88,772**	**22,769,489**	**23,363,306**
Total 31 Dec. 2020	**961,670**	**-464,839**	**496,831**	**21,944**	**21,544,789**	**-69,490**	**21,478,165**	**21,974,996**

(*) Value to be stated for disclosure purposes.

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Accumulated Capita losses	Net exposure	Net exposure
1. Financial assets held for trading	3,998	-	421
2. Hedging derivatives	-	-	-
Total 31 Dec. 2021	**3,998**	**-**	**421**
Total 31 Dec. 2020	**3,998**	**-**	**284**

Section 2 – Prudential consolidation risks

1.1 CREDIT RISK

1. General aspects

Credit risk is primarily defined as the risk of insolvency or default of the counterparty, i.e. as “the possibility for the creditor that a financial obligation will not be settled at maturity or later”. Credit risk may also occur as:

- Deterioration of the creditworthiness of counterparties with a credit line (migration risk);;
- Increase in exposure before the insolvency of a counterparty with a credit line (exposure risk;
- Decrease in the rate of collection of delinquent loans (collection risk).).

Therefore, as part of its lending activity, the Bank is exposed to the risk that some loans may not be repaid, because of the deterioration of the financial conditions of the obligor, either at maturity or later and may therefore have to be derecognised in all or in part. The possible causes of non-fulfilment are mainly due to the inability of the borrower to repay the debt (for example, liquidity shortage or insolvency). This risk is taken when carrying out the traditional lending activity, regardless of the specific technical form in which the loan is originated.

The purpose of the lending strategies and policies followed in lending practices is to:

- Make concrete and operational the statutory principles that express the corporate identity - a Group oriented to financing the real economy of the areas in which the Group operates, SMEs and households in particular - and inspire its guidelines for carrying out its lending activity;
- Steer the loans portfolio composition towards the optimisation of the ratio between the expected return and credit risk, with a view to realigning the risk-adjusted profitability to the cost of capital and limiting the concentration of exposures on single counterparties/groups, on single business segments or geographical areas;

- Support the monitoring of the credit risk management by applying policies, processes, methods and standard IT procedures.

Authorisation to use internal models

The supervisory regulations envisage two methods for calculating the capital requirement: the Standardised approach and the Internal Rating Base (IRB) method, in which risk weightings are based on assessments made internally by the banks on debtors.

The internal ratings method is in turn divided into a foundation IRB (Foundation Internal Rating Based - FIRB) and an advanced IRB (Advanced Internal Rating Based - A-IRB), differentiated according to the risk parameters to be estimated by banks; in the foundation approach, banks use their own PD estimates and regulatory values for other risk parameters, while in the advanced approach, the latter are also internally estimated.

Credito Valtellinese is authorized to use the internal A-IRB credit risk measurement system, for the "Exposures to Corporate enterprises" and "Retail exposures" regulatory classes, pursuant to Article 143 of Regulation (EU) no. 575/2013;. The authorized risk parameters are the following:

- *Probability of Default (PD), probability that the borrowing counterparty will default;*
- *Loss Given Default (LGD), expected loss rate at the time of default of the borrowing counterparty.;*
- *Exposure At Default (EAD), expected exposure of the borrowing counterparty at the time of default (except for corporate counterparties falling under the "Exposures to enterprises" regulatory exposure class").*

For Specialised Lending falling within the class of "Exposures to enterprises", the Group is authorised to apply the regulatory method known as "Slotting Criteria".

No changes were made to the validated internal models vs. 31 December 2020. In H2 2021, the Bank adopted the prudential measures requested by the ECB within the Return to Compliance Plan to manage the transition period before the finalization of the corporate and IT merger into Crédit Agricole Italia.

2. 2. Credit risk management policies

Impacts generated by the Covid-19 pandemic

Given the persistence of the Covid-19 health emergency, Creval continued to implement the measures deployed by the Italian Government and by the Supervisory Authorities, aimed at supporting income and liquidity of households and businesses, among which material ones are loan repayment moratoria and public guarantees (Sace and Central Guarantee Fund) on new loans to businesses.

Among the measures deployed by the Supervisory Authorities, worth mentioning are the European Banking Authority Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), adopted by the Bank of Italy in May 2020. The Guidelines specify the criteria for the classification of a moratorium as a "general payment moratorium" and specify the correct prudential treatment of the exposures under legislative and non-legislative moratoria. More specifically, they clarify that the application of a moratorium should not in itself lead to the exposure being classified as forborne, whether they are performing or non-performing, unless the exposure was already classified as such before the application of the moratorium.

With regard to exposures as a whole, note that the disbursements were made in compliance with Creval's lending strategies and policies, which seek to provide support to the real economy of the local areas it operates in (SMEs and households, in particular) and to guide the composition of the loans portfolio, optimising the risk- adjusted profitability, limiting the concentration of exposures to individual counterparties/groups, single sectors or economic activity and geographical areas.

The potential impact of the above-mentioned transactions on Creval's risk profile is mitigated by the acquisition of the above-mentioned public guarantees, by adopting a specific process to assess and monitor the customer's risk profile and by boosting the organisational units dedicated to the assessment and monitoring process Specifically, for this type of operations, an origination process was defined and adopted characterised by the application of specific controls aimed at checking the existence of the requirements and obligations envisaged by the regulations and assessing the creditworthiness of the customer, also through the analysis of the reasons for the financial difficulty in order to find out how temporary it is and how it can be traced back to the particular economic situation.. The loan monitoring process is intended to verify that all the counterparties involved are going concerns, as well as the performance of their operations, and to verify whether there is the need for any debt restructuring, also through the origination of a portion of additional financing, as permitted by current regulations.

2.1 Organisational aspects

The main roles and structures engaged in credit risk governance are the Chief Risk Officer (CRO) Area and the Chief Lending Officer (CLO) Area, which ensure planning and management, as well as control of risks.

The CLO Area operationally sets out and monitors lending policies; assesses the creditworthiness of proposed credit lines and, if applicable, decides or issues an opinion; sees to proactive loan management, the management and control of non-performing loans; ensures correct measurement for financial reporting purposes of positions classified as non-performing loans that fall within the role's scope; supports the relevant ICT units in the design of lending operational processes.

The CRO Area is responsible for structuring the Risk Appetite Framework as part of the management of credit risks, in line with the company objectives and strategies, and ensures the measurement and control of the Group's risk exposures; it defines the metrics for measuring credit risk, calculates Internal Economic Capital; it implements the second-level controls set forth in the supervisory regulations; it performs specialist controls on ratings and evaluates upgrade or downgrade override proposals formulated by the competent structures; it carries out internal validation checks on the models and processes set out in the internal frameworks; it produces summary and analytical disclosures for the Corporate Bodies and internal functions; it collaborates with the other functions in defining risk-based pricing, decision-making powers, credit policies and in the definition of the Risk Weighted Assets (RWAs). . With a special reference to the valuation of performing loans on a collective basis and the valuation of non-performing loans on a statistical basis, it oversees the models for defining impairment losses.

The lending process as a whole comprises sub-processes, which are formalized in specific policies laying down the main directions for lending and the organizational controls to be adopted. The processes are supported by specific electronic procedures enabling harmonized application of the set rules. In this scope, the following elements are particularly important:

- The lending policies, updated annually, make it possible to steer the composition of the performing loan portfolio towards optimising the ratio of expected return to credit risk;
- The credit rating process, approval and management of positions, allows lending activities to be carried out on the basis of guidelines and standard processes and on the basis of delegated powers to authorise loans. With regard to all the credit risks (Corporate, Retail and Individuals) macro-segments, the credit rating process is based on the internal rating system, which is essential for assessing the creditworthiness of borrowers. . The decision-making process related to the credit is supported by internal procedures (Electronic Credit Line and Rating) that manage the lending process (contact with customers, set up, credit disbursement and management) and the rating assignment process, respectively;
- The loan predictive management process aimed at early identification of financial difficulties (early warning system) and the automation level;
- The process of classifying, validating and writing-off non-performing loans defines uniform and detailed criteria;
- For the classification of loans and receivables as non-performing, with specific triggers for the classification as unlikely to pay and bad loans;
- For determining the value of the loan and receivable/impairments for positions classified as non- performing;
- On write-off and debt-forgiveness of non-performing loans.

The entire lending process undergoes the controls carried out internally by the Loans Department and by the company's control functions (Risk Management function, Internal Validation function and Internal Audit Function) in order to ensure the most precision in assessing risk, by maintaining a lean and efficient assessment and management process.

2.2 1.1 Management, measurement and control

Credit risk is measured both at the level of the individual counterparty/transaction and at the level of the entire portfolio through a set of parameters, instruments and procedures.

Creval PD models - of the "hybrid" type (more point in time - P.I.T. score and through the cycle - T.T.C. calibration - are intended to comply with the precise rationale of obtaining risk measures that:

- Can pinpoint the key drivers at the basis of assessment of the creditworthiness of the parties the Group has or intends to assume loan exposures to;
- Are relatively stable over time over time in order to reflect at all times and in every Customer segment, the expected long-term riskiness of Creval exposures in each Customer segment;
- Can prevent uncontrolled growth of risk in the positive cycle phases and – as a reaction – indiscriminate crunch in lending in negative phases.

The estimating algorithms present in the model are the combination of accurate and rigorous statistical tests used without losing sight of the intuitiveness of the model and the economic sense of the estimates. The set of information used for estimating the rating models was defined with the aim of assessing the entire database available and developed based on the consistency with loan management practices, which was verified through active involvement of the competent corporate functions (e.g. Loans Department). The master scale adopted by the Group consists of 9 rating classes to which the related PDs (Probability of Default) correspond, i.e., the probability that a counterparty belonging to a particular rating class passes to the default state within a time horizon of one year. The PDs include an appropriate precautionary factor that takes account of the presumed margin of error contained in the estimates (known as margin of conservatism - MOC).

The models developed internally by Creval are as follows:

- Corporate Enterprises PD Model, relating to counterparties with Corporate Bnkg Enterprises and Corporate Bnkg SME credit risk segmentation;
- Retail Enterprises PD Model, relating to counterparties with Retail Bnkg Small and Micro-Enterprises credit risk segmentation;
- Individuals PD Model, relating to counterparties with Retail Bnkg Individuals credit risk segmentation;;
- Co-holdings PD Model, relating to co-holdings and temporary business combines (A.T.I., associazioni temporanee di impresa), for all exposure classes within the scope of application, which shall undergo specific treatment that takes into account the risk profile of counterparties with ratings assigned through the models listed above.

Specifically, the final rating assigned to a counterparty belonging to the Corporate and Retail macro- segments is the result of a statistical calculation process, supplemented by a qualitative component The statistical rating, for the Corporate and Retail Enterprises segments, summarises the information concerning the financial statements (financial statements module), the performance of the counterparty with regard to the Bank (internal performance module) and to the banking system and financial companies (external performance module - CR or CRIF module) and the economic and environmental context in which the enterprise operates (geo-sectorial module).The banking system The result expressed by the statistical rating is supplemented by the information coming from a quality questionnaire and can be changed in relation to adverse events and to the possible belonging to an economic group. The statistical rating, for the Private segment, summarises the information concerning the social and demographic component (social and demographic module), the performance of the counterparty with regard to the banking system intermediaries (internal performance module), the management of debt relations with the Bank (external performance module) and more in general, the management of relations with supervised intermediaries (CRIF module). The result expressed by the statistical rating is integrated by the information deriving from a social and demographic questionnaire, filled in the rating assignment phase in the case of first application for a credit line/increase in the existing credit lines (regardless of the amount).

Consistently with the rules applying to rating models for Corporate Enterprises, Retail Enterprises and Retail Individuals, after the calculation of the "integrated statistical rating", a notch downgrade rule shall apply based on expert evaluations, in the presence of relevant events that concern the counterparty, with a different level of significance ("minor" events and "serious" events).

The rating has an important role in the process of granting, renewal and review of the credit in that it represents an essential and indispensable element for assessing the counterparty's creditworthiness. The rating assignment activities summarise the quantitative and qualitative information available in support of the credit set up process, enhancing at the same time the direct relation with the customers and the knowledge gained over time of their specific characteristics. The organisational model also envisages the existence of a dedicated function, independent of the sales and granting departments, which is assigned the responsibility of managing the override process (correction of the automatic judgement expressed by the model).

A second parameter used by the Group for measuring and managing the credit risk is the Loss Given Default (LGD) that represents a loss rate in case of default, i.e. the expected value (possibly affected by adverse scenarios) of the ratio, expressed in percentage terms, between the loss due to default and the amount of exposure at the moment of default (Exposure At Default, EAD).

The estimated LGD model is unique for all exposure classes within the scope of application. The LGD model, developed with the aim of ensuring consistency with the Group's management and recovery practices, is characterised by the estimate of two separate components:

- Estimate of the LGD - Bad loan, which consists of the loss rate historically recognised on bad loans (known as "workout LGD""). The presence of a specific parameter for the bad loan administrative status is determined by the fact that this administrative status is considered absorbent and that the credit recovery process takes place exclusively in this status. Note also that the sample for estimating LGD - Bad Loan includes, in addition to the closed bad loans, also open positions with a duration exceeding the Maximum Recovery Period (known as MRP), i.e. bad loans that are still open but, due to specific characteristics, are considered "substantially closed": their inclusion in the sample has a prudent effect on the overall estimates. In line with the relevant regulatory guidelines, the effects of disposals of non-performing exposures have been incorporated into the estimates. In this regard, a specific component has been added to the LGD-Bad loan estimates deriving from the workout process, which takes into account both the actual sales price of the positions and future prospects for sale;
- Estimate of the Danger Rate, which consists of the probability that a position will migrate from its administrative status to the bad loan administrative status This parameter is used to calibrate the expected loss recorded on bad loans in such a way as to make it effectively applicable also to positions classified in different administrative statuses.

In order to obtain a measure of economic loss that takes into account the costs incurred during the credit recovery process, a specific component that quantifies all the costs incurred by the Bank and not directly included in the movements of individual positions, but attributable to the overall management of non-performing positions is estimated.

For non-performing exposures, the Expected Loss best estimate (ELbe) parameter was also estimated, which represents the best possible estimate of expected loss taking into account the current economic condition, thus not including either the economic cycle component (downturn) or specific precautionary factors. The downturn component and caution factors are included in the LGD. A third parameter is the Exposure At Default (EAD) estimated internally using a single model for exposures classified as Retail Enterprises and Retail Individuals. The Exposure At Default (EAD) risk parameter represents the amount of the counterparty's exposure at the time of default and is determined by estimating the credit conversion factor "K". For the EAD model, the following elements are also estimated:

- An appropriate precautionary factor that takes account of the presumed margin of error contained in the estimates (known as margin of conservatism - MOC).
- The effects of a recessionary phase in the economic cycle on the estimated parameters (known as downturn);
- Specific "Ks" for non-performing counterparties, which take into account any further uses found between the time of the transition to default and the time of entry into bad loans.

An additional parameter is the Expected Loss (EL) that represents the ratio of the amount expected to be lost on an exposure over a one-year time horizon as a result of a counterparty's potential default to the amount of the exposure at the time of default.

The Rating system plays an essential role in the Group's business processes, with a special reference to the processes of granting, managing and monitoring credit, as well as those of a strategic and commercial nature.. The rating system as a whole (IT models, processes and systems) is constantly verified by the internal validation function and by the internal audit function in order to certify the compliance of the systems with the provisions of the Supervisory Regulations, together with the need to point out areas for possible improvement, as well as any misalignments in methodologies that could lead to risks of imperfect comparability in the measures produced.

With regard to counterparty risk, that is to say the risk that the counterparty of a transaction concerning certain financial instruments is in default before the settlement of the transaction itself, the processes and procedures described above lead to a modest exposure.

Lastly, note the assessment of the risk exposure on the sovereign portfolio, for which reference is made to the following paragraphs.

The above-described measurement and control systems were not affected by changes related to the Covid-19 pandemic.

Concentration risk

Also for concentration risk management, the Group uses a specific process governed by a specific regulation within which the risk management activities are formalised and the tasks and responsibilities assigned to the different organisational units involved, the strategic guidelines, the management policies, the measurement methods, the exposure limits, the information flows and any mitigation procedure are defined.

Concentration risk measurement is the responsibility of the Credit Risk Management Division. Risk measurement is carried out at both an individual and consolidated level in order to fully identify and allocate the main sources of exposure to risk at the legal entity level. The approach followed in order to measure the concentration risk of the loans and receivables from customers' portfolio differs in accordance with whether it is generated by concentration per single party or group of related customers or geo-sectorial concentration. The Granularity Adjustment approach noted in the supervisory regulations in force is used to measure the concentration risk per single party or group of related customers. With this approach internal capital can be determined in connection with the concentration risk per single party or per group of related customers of a portfolio characterised by imperfect diversification. Information on the positions classified as "large exposure" is also important as part of the risk concentration per single party or group of related customers. In order to measure the geo-sectoral concentration risk, the method proposed by the Italian Banking Association (ABI) is followed. With this method internal capital can be estimated in connection with the geo-sectoral concentration risk as add-on of the capital requirement for credit risk hedging, according to the distance of the level of concentration by economic sector/ATECO business code of Creval's loans portfolio compared to the concentration level of the Italian national banking system. The distance is measured by comparing the Herfindahl concentration index by economic sector/ATECO business code of the Group's loans portfolio and the same index calculated using the figures of the national banking system. By comparing the two indices, using a simulation algorithm, the internal capital for hedging the geo-sectoral concentration risk is calculated. By comparing the two indices, using a simulation algorithm, the internal capital for hedging the geo-sectoral concentration risk is calculated.

Concentration risk is limited by splitting up and diversifying the portfolio and through the resolution, by the Board of Directors, of maximum credit line amounts and maximum limits of exposure to Banks and Financial companies.

Reporting and monitoring

The structure engaged in the risk control function is responsible for monitoring and reporting on the loan portfolio. The objective of reporting on credit risk, both periodic and in response to specific requests, is to analyze the main components of said risk and their development over time in order to promptly detect any impairment symptoms and thus deploy the appropriate corrective actions. The performance of the credit risk portfolio is analysed with reference to the main drivers (such as growth and risk parameter indicators), the various customer segments, local entities, industrial sectors, as well as the performance of the default portfolio and the related hedging.

2.3 1.1 Methods to measure expected losses

In accordance with IFRS 9, the Group classifies financial instruments into three different categories (known as Stages) based on the deterioration in credit quality (or risk) potentially occurring between the reporting date and the initial recognition date (origination date), with consequent differentiation in the level of impairment losses.

The Stages are defined as follows:

- Stage 1: all financial assets for which the bank found no evidence of a "significant" increase in credit risk between origination and reporting date. This Stage has the right to also classify the instruments that, as at the reporting date, are considered to have a structurally "low" credit risk exemption – LCRE). For these financial assets, impairment losses are calculated using the "expected credit loss - ECL" with a time period of twelve months following the reporting date;

- Stage 2: all the financial assets that have shown a “significant” increase in credit risk (SICR) since the initial recognition date. The measurement of impairment losses involves estimating expected losses over the time horizon equal to the entire contractual life (lifetime and forward looking) of the exposure being valued. The macro-economic scenarios used for forward looking estimates are based on data provided by Prometeia and updated at least every six months or whenever extraordinary events with potential impacts on the estimates occur. In the reporting period there was a reduction in Stage 2 classifications of approximately 20%, which was mainly due to the monitoring of the loans portfolio with a view to limiting risks. In the same period there was also a reduction in the rate of new classifications as default;
- Stage 3: all non-performing financial assets (past due, unlikely to pay and bad loans). Adjustments are measured by means of individual impairment for UTP and bad loans above a certain threshold and a statistical approach for all past dues, UTP and bad loans below that threshold. Moreover, as required by IFRS 9, forward-looking factors that adapt the weighed-up probabilities of occurrence of the different future scenarios were included. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non-performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement.

At the end of December 2021, in accordance with CAI guidelines, an adjustment factor was added to Creval expected losses (differentiated by material risk cluster) in order for Creval to align with the Parent Company values.

The breakdowns of exposures between Stage 1 and Stage 2 of performing loans to Enterprises and Individuals are given below, including the related expected loss levels over the twelve-month horizon for Stage 1 and the lifetime horizon for Stage 2. The information reported is related to gross loans to customers, excluding exposures to banks and securities.

Segment	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Corporate Bnkg Enterprises;	94.0%	6.0%	0.522%	5.294%
Retail Bnkg Enterprises	92.3%	7.7%	0.295%	5.172%
Individuals	93.3%	6.7%	0.184%	3.055%

The lower levels of ECL observed on Individuals are due to the type of products mainly supplied to these customers, i.e. mortgage loans for the purchase of their primary residence.

Type of Enterprise (only Enterprises)	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Manufacturing	96.3%	3.7%	0.356%	3.618%
Commercial	96.2%	3.8%	0.344%	5.666%
Building industry	88.1%	11.9%	0.867%	5.654%
Real estate	86.2%	13.8%	0.857%	5.575%
Services	92.1%	7.9%	0.487%	5.680%

Geographical area	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Northwest Italy	93.7%	6.3%	0.341%	3.976%
Northeast Italy	94.3%	5.7%	0.427%	4.317%
Central Italy	91.6%	8.4%	0.362%	4.756%
Insular Italy	91.5%	8.5%	0.377%	4.986%
Southern Italy	96.7%	3.3%	0.809%	7.576%

Contractual maturity	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Within 5 years	95.5%	4.5%	0.412%	3.399%
From 6 to 10 years	88.6%	11.4%	0.445%	5.459%
Over 10 years	91.2%	8.8%	0.242%	4.547%

Type of repayment	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Amortising	92.4%	7.6%	0.322%	4.112%
Non-Amortising	95.5%	4.5%	0.515%	6.276%

In order to comply with the requirements of IFRS 9, the Group prepared suitable models, the main features of which are described below:

1. Determining the SICR threshold: in the presence of 30 overdue days, forbearance measures or the increase in lifetime probabilities of default (PD) at the reporting date with respect to the origination date above the default relevant thresholds. More specifically, for each rating class, credit risk segment (Corporate Enterprises, Retail Enterprises, Individuals) and residual maturity of the loan, the SICR threshold is defined as the ratio between the cumulative lifetime through the cycle PD associated with the original rating and the cumulative lifetime through the cycle PD associated with the corresponding minimum "non-performing" rating level. The use of the low credit risk exemption simplified approach is also very limited, with exclusive reference to banking counterparties (the classification in Stage 2 is carried out if, at the reporting date, counterparties are assigned an external rating below a predefined threshold, identifying an actual increase in credit risk);
2. The inclusion of forward-looking information in the model for calculating expected losses: in line with IFRS 9, the Group also estimated the risk parameters against a lifetime horizon conditional to expectations on future macroeconomic scenarios (known as forward-looking information) through the application of specific satellite models whereby the impact of macroeconomic scenarios on individual risk parameters can be estimated. Forward-looking parameters are also adopted for the calculation of the expected loss relating to exposures falling under Stage 3 by simulating the impacts of alternative scenarios also related to the different management options and recovery of default positions. These include, in particular, sales scenarios whereby, where the company's objectives envisage sales operations and such operations are still to be carried out, the assessment of transferable non-performing loans considers the possibility of realisation also through their sale;
3. The forecasts of future trends of the macro-economic variables adopted by the Group are those referred to the "Most likely" macro-economic scenario, i.e. the scenario considered most likely and in line with the expected macro-economic trend.. The scenario is defined by taking as a reference the forecasts provided by Prometeia and the results of reliability tests carried out through benchmarking analysis with other public source scenarios (ECB and Bank of Italy);
4. Calculation of 12-month and lifetime expected losses: the IFRS 9 estimate of the PD, LGD and EAD parameters is based on the internal models adopted by the Group for credit risk management risk, net of conservative margins and downturn components but including an Add-on (specified below) to take account of the non-linearity of the scenarios. Moreover, IFRS 9 risk parameters are adapted to incorporate forward looking information and the multi-period horizon. Specifically, the following parameters were estimated:
   - Lifetime Probability of Default (PD) which involves the use of both forward-looking point in time metrics, and through the cycle metrics, the latter solely for the purposes of classification of exposures in the IFRS 9 stages;
   - Forward looking Loss Given Default (LGD) obtained from estimates of Danger Rate and LGD-point in time forward looking bad loan components;
   - Credit Conversion Factor (CCF), which identifies the relationships existing between the CCFs historically recorded on the Group's loans portfolio and the economic and financial variables, in order to simulate the evolution of the CCFs over time in the Most Likely scenario in order to obtain forward looking estimates that reflect the point in time state of the economy.

In addition to the above risk parameters, the following additional components were estimated for the purpose of determining impairment losses on performing exposures:

- Trend of the exposure over time, significant only for amortising products;
- Probability of prepayment (early repayment of the loan applied in accordance with the Standard, limited to Stage 2 as it relates only to the lifetime component).

Creval adopts the “Most Likely scenario+Add-on” approach. Expected losses are estimated based on the impacts of the most likely scenario and corrected by a factor reflecting the non-linearity of the relationship between scenarios and expected losses. The corrective factor is defined by generating, through multivariate simulation techniques, 100,000 plausible macroeconomic scenarios whose centre is fixed on the “Most Likely” scenario and by exploiting the historical correlations observed between the macro-economic variables. Scenarios are ordered according to a directionality index based on a standardised normal distribution, whereby the severity of the impacts of each scenario cane be assessed (a very expansionary macro- economic environment is associated with an index characterised by high values, whereas a low index describes a recessive macro- economic environment). Based on this index, the scenarios are broken down in three areas:

- “Downside”, the first 30% of the distribution ordered according to the directionality index, i.e. those characterised by a recessive economic environment,
- “Indifference”, the central 40% of the distribution, i.e. scenarios similar to the “Most Likely” scenario,
- “Upside”, the last 30%, i.e. those characterised by an expansionary economic environment.

For the “Downside” and “Upside” areas, the respective representative scenarios are identified, obtained as a median of the values observed on the individual macro-economic variables for the scenarios falling within the respective areas. Representative scenarios are used to estimate expected losses in an “Upside” or “Downside” environment. The trend of the macro-economic variables under the “Downside” and “Upside” assumptions is shown below.

VARIABLES (CAGR 2022-2024)	Upside	Downside
GDP	2.85%	1.15%
Consumer prices	1.20%	0.60%
Unemployment rate	0.09%	0.73%
Price of residential properties	0.63%	-0.97%
Price of commercial properties	1.73%	0.53%

Overall, the “Upside” scenario would generate a transfer from Stage 2 to Stage 1 of 0.4% of exposures classified as Stage 2 at 31 December 2021, the expected loss for Stage 1 (12-month loss horizon) would be reduced by 9.1% while the expected loss for Stage 2 (lifetime loss horizon) would be reduced by 6.6%. The changes are mainly attributable to the significant increase in GDP, secondarily, to the growth in the price of residential property. For the main dimensions of the analysis, there are no particular differences in terms of expected losses and distributions between Stage 1 and Stage 2.

In the “Downside” scenario, 0.1% of the exposures classified as Stage 1 at 31 December 2021 would be transferred from Stage 1 to Stage 2, the expected loss for Stage 1 (12-month loss horizon) would increase by 4.9%, while the expected loss for Stage 2 (lifetime loss horizon) would increase by 5.2%. The changes are attributable to lower GDP growth For the main dimensions of the analysis, there are no particular differences in terms of expected losses and distributions between Stage 1 and Stage 2.

Where no internal estimates are available, the Group uses the external PD and LGD risk parameters provided by an independent ECAI at the individual security level for the banking book. To calculate the expected lifetime loss, the expected future cash flows from debt instruments are used, taking into account the related amortization schedules. Consequently, for the determination of the multi-period Exposure At Default (EAD) of bullet, amortising and zero-coupon securities, reference is made to the redemption plans of the securities in question.

Changes due to Covid-19

Given the uncertainty related to the current pandemic, prudential adjustments were made in determining collective impairment losses (Stage 1 and Stage 2) on performing loans. Specifically, this refers to:

- The use of more conservative macroeconomic scenarios than those provided by Prometeia, which lead to the following three-year estimates (this led - holding all else constant - to a prior activation of the SICR threshold):

VARIABLE (CAGR 2022-2024)	Most likely scenario
GDP	2.11%
Consumer prices	0.83%
Unemployment rate	0.46%
Price of residential properties	0.19%
Price of commercial properties	0.80%

- The application of "stressed" valuations to positions potentially at greater risk of impairment as a result of the pandemic crisis. Within the cluster of positions classified as Stage 2, the product sectors considered to have "higher Covid-19 risk" were selected and prudential adjustments were made in the determination of the related provisions, calculated using the forward-looking expected loss model required by IFRS 9.

2.4 Credit risk mitigation techniques

Risk mitigation techniques include instruments that help to reduce the loss the Bank would incur in the event of counterparty default, including collaterals and personal guarantees. In case of collaterals, the reduction of credit risk on the exposure arises from the Bank's right to liquidate certain assets, to transfer ownership of the collateralized asset or to reduce the credit by the amount of the collateral, in the event of default by the counterparty or on the occurrence of other specific credit events affecting the counterparty. In case of personal guarantees, the reduction of credit risk on the exposure results from the obligation of a third party to pay a certain amount upon the occurrence of a default or other specific credit events.

The origination of loans is based on the borrower's actual capacity to repay the loan but, where appropriate or required by the credit policies in question, in order to reduce credit risk, Creval acquires from its customers the typical banking guarantees, mainly mortgages on real estate, collaterals on securities and personal guarantees.

The process of acquiring, managing and using guarantees is regulated by specific internal normative instruments The set of internal normative instruments aims at ensuring the guarantee effectiveness. Specifically, the origination of loans backed by collateral is subject to internal rules and processes for appraising the assets pledged as collateral, the collateral finalization and control of its value. Properties pledged as collateral as appraised by independent experts coordinated by the Real Estate Area of Credito Valtellinese. Property appraisals are based on a set of information regarding location, urban planning/authorisation data, the consistency of the asset, its building characteristics, the intended use of the different portions being assessed (and then any mortgage). As part of its management activities, Creval adopts a system aimed at monitoring the market value of real estate assets pledged as collateral for loans. This system is based on the continuous updating of a database containing information on real estate guarantees through a series of evaluations and verifications on the data Asset repossessing is assigned to the Group company Stelline Real Estate S.p.A. and to the Parent, whereas the Real Estate Area deals with property and facility management and property appraisal.

Creval also assesses any residual risk, which is defined as the risk that the recognized techniques used to mitigate credit risk prove less effective than expected. The use of these techniques may in fact expose the Group to a series of further risks (for example of an operational or legal nature) which, if they occur, may lead to a greater lending risk than had been expected due to the lower effectiveness or actual unavailability of the protection. Residual risk is mainly managed by acting on the procedural and organisational plan.

The Internal Audit Department is in charge of third-level controls designed to ensure timely compliance with the obligations relating to the management of guarantees.

As regards the eligibility of guarantees for determining capital requirements, Creval has adopted a process that steers and applies their eligibility and admissibility requirements in accordance with the supervisory regulations.

3. NON-PERFORMING EXPOSURES

3.1 Management strategies and policies

Non-performing loans are classified in accordance with the supervisory regulations as: non-performing past due, Unlikely to Pay and bad loans. As explained in more detail below, in addition to what is described above, the regulation introduces the concept of forborne exposure, which is defined as an exposure in respect of which “forbearance measures” have been extended to a debtor experiencing financial difficulty. Non- performing forborne exposures do not form a separate category of non-performing assets but are a characteristic of the previous categories of non-performing assets

Loans are classified as non-performing exposures either automatically or on the basis of proposals and expert assessments depending on the circumstances. The methods and procedures for the classification of loans are regulated by the Group in specific internal regulations.

Since 1 January 2021, in its lending and reporting processes, Creval has adopted the new definition of default under Delegated Regulation (EU) no. 529/201 and Delegated Regulation (EU) no. 294/2015, as well as under Part Two, Chapter 4, Section II of Bank of Italy Circular no. 285 of 17 December 2013. The new regulation provides for stricter mechanisms than those adopted to date and aim to harmonize the criteria used to classify debtors in the various countries of the European Union.

Specifically, debtors are classified as non-performing past due and/or overlimit exposures if even just one of the following conditions is met:

- The debtor is in arrears by over 90 days (in some cases like public administrations, 180) in the payment of a material debt;
- The bank believes it unlikely that the debtor will fully satisfy its obligation without recourse to action such as enforcement of guarantees.

It is pointed out that a past due debt is considered material when the amount of the arrears exceeds both the materiality thresholds given below:

- Absolute materiality threshold: Euro 100 for retail exposures and Euro 500 for all non-retail exposures;
- Relative materiality threshold: 1% of the overall exposure of the Bank to that customer.

In addition to the above, the main changes include the impossibility of offsetting past due amounts against open and undrawn credit lines (known as available margins) and the continued classification as past due and/or overdue non-performing loans for at least 90 days from the time the customer settled the payment arrears and/or the overdue amounts..

With reference to classification under Unlikely To Pay, the new law introduces an objective threshold for the measurement of the reduced financial obligation due to substantial forgiveness of the debt or deferral of the payments of capital, interest or fees/commissions. . If, as a result of the cancellation or deferral of the debt, a loss of more than 1% occurs, the Bank classifies the debtor as unlikely to pay.

The effects deriving from the application of the new rules are not material for Creval.

the classification as bad loans is made at the account manager’s suggestion, as part of the continuous monitoring of the counterparty. The body in charge is called upon to carefully evaluate the proposal in order to define any resolution to classify the counterparty as bad.

Non-performing exposures may be classified back as performing, in accordance with the Supervisory regulations as well as with specific internal normative instruments, on the initiative of the Structures responsible for loan management, which,, if the relevant conditions are met, may submit a proposal for classification back to performing to the Body in charge.

With regard to exposures classified as “non-performing past due and/or overlimit”, they are automatically classified back as performing once the conditions for their classification as non-performing are no longer met after an observation period that starts from the time the debtor repays the overdue amount to such an extent that the past due amount does not breach the absolute and relative materiality thresholds.

Within Creval organization, non-performing loans are managed by specialist structures, which operate through previously set recovery procedures, differentiated according to the risk classification..

Non-performing financial assets are subject to valuation on an individual basis process aimed at determining the relevant expected losses.. The impairment loss of individual loans is equal to the difference between its carrying amount at the time of measurement (amortised cost) and the present value of the expected future cash flows, calculated using the original effective interest rate.

The expected loss and time to recovery are estimated taking into account all the factors useful for assessing the debtor's ability to repay its debts, or the Bank's ability to collect the amount due to it For this purpose, data relating to financial statements, mortgage surveys, information from the Bank of Italy Central Credit Bureau, the most recent property valuation reports, risk parameters, information obtained from third parties and documents submitted by debtors and guarantors are used.

Consistently with the applicable legislation and regulations, Creval always assesses non- performing positions through individual impairment and, depending on the case in point, can envisage the application of one of the two cases given below:

- The use of flat-rate calculation formulas (statistical approach) based on EL best estimate for positions classified as UTP below a predefined amount threshold, for positions classified as bad loans below a predefined amount threshold and for all positions classified as past due;;
- The use of an "expert assessment" by the competent roles/bodies. This assessment is carried out upon their classification as non-performing, on the occurrence of material events and, in any case, reviewed periodically.

Specifically, non-performing financial assets classified as unlikely to pay and bad loans with a limited unit amount and as past due non-performing loans are valued on the basis of the internal statistical models applied individually to each position. Conversely, the other non-performing financial assets undergo expert assessment carried out by the specialist Structure based on criteria and rules that are compliant with the applicable legislation.

The assessment of exposures classified in stage 3 also includes forward-looking factors that adapt the weighed-up probabilities of occurrence of the different future scenarios. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non-performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement.

3.2 Write-off

A write-off is an event that results in derecognition when we no longer have reasonable expectations of recovering the financial asset. A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim.

The write-off of a loan is the result of an evaluation of the position made by the loan manager and can take place both for non-recoverability and because the recovery action would not be cost effective. The write-off for non-recoverability refers to cases where the Bank is in possession of documents attesting to the significant probability that the loan cannot be recovered in whole or in part. The write-off for lack of cost-effectiveness is made when it is evident, and can be demonstrated, that the costs associated with pursuing credit recovery actions (e.g. legal and administrative costs, etc.) are higher than the value of the financial asset that is expected to be recovered..

Creval adopts formalised processes and procedures for the measurement and accounting of write-offs. Specifically, the write-off of a position is the result of a measurement made by the relevant manager. if the manager identifies the presence of a case of non-recoverability or the possibility of write-off for lack of cost effectiveness, he/she shall thoroughly analyse the credit exposure and forward the proposal for write-off to the competent decision-making body , which, after assessing the proposal itself, if it deems it appropriate, adopts the resolution

3.3 Acquired or originated impaired financial assets

In accordance with IFRS 9, loans considered non-performing as early as upon initial recognition, because of the associated high credit risk, are defined as Purchased or Originated Credit Impaired Assets (POCI).

If they fall under the scope of application of impairment pursuant to IFRS 9, these loans are measured by setting aside, starting from the date of initial recognition, provisions to cover losses throughout the loan residual life (known as Lifetime Expected Credit Loss).

As they are non-performing loans, they shall initially recognized in Stage 3, and they may be classified back as performing loans (Stage 2) if they no longer show impairment.

4. 4. RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

In addition to the positions described above, the supervisory regulations introduce the concept of forborne exposure, which is defined as an exposure in respect of which "forbearance measures" have been extended to a debtor experiencing financial difficulty.

To identify a position as forborne, which is crosswise the loan classification statuses and is not a classification status itself, two main conditions must be met:

- Granting of a forbearance measure, intended as a contractual amendment compared to the initial conditions, granted to the customer in order to enable it to fulfil its obligations (e.g.: moratorium, instalment queuing, restructuring of the repayment plan, etc.);
- Financial difficulties of the customer in fulfilling its contractual obligations.

For the purposes of the correct identification of forborne exposures, Creval adopted special procedures characterised by a forbearance presumption algorithm and by a presumption algorithm of financial difficulty, which use information such as the administrative status, the rating and the management status of the counterparty.

The final classification as forborne is always assessed on an individual basis by the decision-making body during the loan origination or review processes. In accordance with the supervisory regulations, forborne exposures are classified (according to an approach by transaction) into two categories:

- Non-performing forborne, i.e. forborne exposures due to financial difficulties of the debtor classified as non- performing assets (bad loans, unlikely to pay, past due and/or overdue non-performing loans);
- Performing forborne, i.e. forborne exposures because of financial difficulties of the debtor classified as performing assets;

Within the processes and procedures listed above, the criteria for monitoring and reclassifying forborne loans and receivables are also formalized.

For the classification from non-performing forborne back to performing forborne, cure period of one year applies, during which the debtor must regularly and timely make the payments due. On the other hand, the counterparty is no longer classified as forborne when all the exit criteria defined by the relevant internal policies are met. Among these, the adoption of a probation period of two years from the date of which the forborne exposure was considered performing is particularly important.

Impacts generated by the Covid-19 pandemic

Among the measures deployed by the Supervisory Authorities to address the pandemic crisis, worth mentioning are the European Banking Authority Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), adopted by the Bank of Italy in May 2020.

The Guidelines specify the criteria for the classification of a moratorium as a “general payment moratorium” and specify the correct prudential treatment of the exposures under legislative and non-legislative moratoria. More specifically, they clarify that the application of a moratorium should not in itself lead to the exposure being classified as forborne, whether they are performing or non-performing, unless the exposure was already classified as such before the application of the moratorium. Creval promptly implemented the above measures. Having specific regard to positions under moratoria, consistently with the aforementioned Guidelines, Creval has adopted a system to monitor the loan and the risk exposure profile in order to prevent any increase in credit risk and detect any signs of possible defaults of the debtors. This monitoring process is intended to verify that all the counterparties involved are going concerns, as well as the performance of their operations, and to verify whether there is the need for any debt restructuring, also through the origination of a portion of additional financing, as permitted by current regulations.

QUALITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

A.1.1 Prudential consolidation - Breakdown of financial assets by past due bracket (book values)

Portfolios/risk stages	Stage 1			Stage 2		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortized cost	24,015	-	-	11,084	20,756	3,575
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets being divested	8,507	-	-	3,589	409	31
Total 31 Dec. 2021	**32,522**	**-**	**-**	**14,673**	**21,165**	**3,606**
Total 31 Dec. 2020	**16,282**	**-**	**-**	**11,178**	**19,197**	**28,497**

Portfolios/risk stages	Stage 3			POCI assets		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortized cost	5,542	16,227	119,034	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets being divested	332	324	10,204	-	-	-
Total 31 Dec. 2021	**5,874**	**16,551**	**129,238**	**-**	**-**	**-**
Total 31 Dec. 2020	**2,586**	**5,440**	**352,284**	**-**	**-**	**3,392**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions

	Total adjustments					
	Stage 1 assets					
	Demand due from banks and claims on Central banks	Financial assets measured at amortized cos	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**13**	**23,792**	**353**	**-**	**-**	**24,158**
Increases from purchased or originated financial assets	33	12,209	479	-	-	12,721
Derecognized items other than write-offs	-	-3,031	-145	-	-	-3,176
Net losses/recoveries for credit risk (+/-)	-11	14,232	212	-	-	14,433
Contract modifications without derecognition	-	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-	-
Other changes	-	-377	-	1,444	-	1,067
Closing total adjustments	**35**	**46,825**	**899**	**1,444**	**-**	**49,203**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-
Write-offs recognized directly through profit and loss	-	-	-	-	-	-

	Total adjustments					
	Stage 2 assets					
	Dema nd due from Banks and claims on Central Banks	Financi al assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**27**	**45,209**	**151**	**-**	**-**	**45,387**
Increases from purchased or originated financial assets	-	35	-	-	-	35
Derecognized items other than write-offs	-19	-4,543	-	-	-	-4,562
Net losses/recoveries for credit risk (+/-)	-4	-7,191	-145	-	-	-7,340
Contract modifications without derecognition	-	7,686	-	-	-	7,686
Changes in the estimate approach	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-	-
Other changes	-	-3,108	-	1,508	-	-1,600
Closing total adjustments	**4**	**38,088**	**6**	**1,508**	**-**	**39,606**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-
Write-offs recognized directly through profit and loss	-	-1	-	-	-	-1

	Total adjustments					
	Stage 3 assets					
	Demand due from Banks and claims on Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**-**	**454,457**	**-**	**2,907**	**457,364**	**-**
Increases from purchased or originated financial assets	-	-	-	-	-	-
Derecognized items other than write-offs	-	-218,404	-	-2,907	-221,311	-
Net losses/recoveries for credit risk (+/-)	-	365,815	-	-	365,815	-
Contract modifications without derecognition	-	31,473	-	-	31,473	-
Changes in the estimate approach	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-27,640	-	-	-27,640	-
Other changes	-	1,366	-	74,521	75,887	-
Closing total adjustments	**-**	**607,067**	**-**	**74,521**	**681,588**	**-**
Recoveries from collection on financial assets written-off	-	2,316	-	-	2,316	-
Write-offs recognized directly through profit and loss	-	-7,619	-	-	-7,619	-

	Total adjustments				
	Acquired or originated impaired financial assets				
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**7,475**	**-**	**-**	**7,475**	**-**
Increases from purchased or originated financial assets	X	X	X	X	X
Derecognized items other than write-offs	-	-	-	-	-
Net losses/recoveries for credit risk (+/-)	3,215	-	-	3,215	-
Contract modifications without derecognition	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-
Other changes	-10,690	-	10,690	-	-
Closing total adjustments	**-**	**-**	**10,690**	**10,690**	**-**
Recoveries from collection on financial assets written-off	-	-	-	-	-
Write-offs recognized directly through profit and loss	-	-	-	-	-

	Total provisions for commitments to disburse funds and financial guarantees given				Total 31 Dec. 2021
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given, POCI	
Opening total adjustments	**2,272**	**913**	**3,259**	**-**	**540,828**
Increases from purchased or originated financial assets	844	-	-	-	13,600
Derecognized items other than write-offs	-603	-568	-1,574	-	-231,794
Net losses/recoveries for credit risk (+/-)	-529	-92	1,933	-	377,435
Contract modifications without derecognition	-	-	-	-	39,159
Changes in the estimate approach	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-27,640
Other changes	99	-	-	-	75,453
Closing total adjustments	**2,083**	**253**	**3,618**	**-**	**787,041**
Recoveries from collection on financial assets written-off	-	-	-	-	2,316
Write-offs recognized directly through profit and loss	-	-	-	-	-7,620

With reference to financial being divested, item “Other changes” refers to the effects of reclassifications made in accordance with IFRS 5.

Item “Net adjustments/recoveries for credit risk” reports the net amount of changes in expected credit risk losses recognized in the period, regardless of whether these changes result in the financial asset being transferred to another risk stage.

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between the different credit risks stages (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 1 to stage 2	From stage 2 to stage 1	From stage 1 to stage 2	From stage 2 to stage 1
1. Financial assets measured at amortized cost	520,883	195,576	321,311	4,856	310,651	650
2. Financial assets measured at fair value through other comprehensive income	-	3,101	-	-	-	-
3. Financial assets being divested	61,848	41,760	5,888	273	26,828	-
4. Commitments to disburse funds and financial guarantees given	59,239	17,981	2,347	6	10,896	23
Total 31 Dec. 2021	**641,970**	**258,418**	**329,546**	**5,135**	**348,375**	**673**
Total 31 Dec. 2020	**357,886**	**396,112**	**86,830**	**38,003**	**37,332**	**16,870**

A.1.3a Prudential consolidation - Loans under Covid-19 support measures: transfers between different stages of credit risk (gross amounts)

Portfolios/risk stages	Gross amounts					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortized cost	**288,363**	**47,788**	**98,927**	**51**	**157,708**	**70**
A.1 Under EBA-compliant concessions	232,095	46,439	53,275	16	88,186	42
A.2 Under moratoria in force no longer EBA-compliant and not assessed as forborne	4,746	579	2,828	-	26,619	-
A.3 under other concession measures	42,302	-	42,749	35	30,262	-
A.4 new loans	9,220	770	75	-	12,641	28
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 under EBA-compliant concessions	-	-	-	-	-	-
B.2 under moratoria in force no longer EBA-compliant and not assessed as forborne	-	-	-	-	-	-
B.3 under other concession measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31 Dec. 2021	**288,363**	**47,788**	**98,927**	**51**	**157,708**	**70**
Total 31 Dec. 2020	**83,992**	**109,363**	**3,427**	**-**	**2,338**	**-**

A.1.4 Prudential consolidation - On-balance-sheet and off-balance-sheet exposures to banks: gross and net values

Type of exposures/Values	Gross exposure				
		Stage 1	Stage 2	Stage 3	POCI assets
A. ON-BALANCE-SHEET EXPOSURES					
A.1 Demand					
a) Non-performing	-	X	-	-	-
b) Performing	55,653	55,399	254	X	-
A.2 Other					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to Pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	-	-	-	X	-
- of which: forborne exposures	-	-	-	X	-
e) Other performing exposures	4,950,774	4,950,774	-	X	-
- of which: forborne exposures	-	-	-	X	-
TOTAL (A)	**5,006,427**	**5,006,173**	**254**	**-**	**-**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	-	X	-	-	-
b) Performing	85,261	81,809	3,452	X	-
TOTAL (B)	**85,261**	**81,809**	**3,452**	**-**	**-**
TOTAL (A+B)	**5,091,688**	**5,087,982**	**3,706**	**-**	**-**

Type of exposures/Values	Total adjustments and total provisions for credit risk					Net exposure	Total/ partial writeoffs (*)
		Stage 1	Stage 2	Stage 3	POCI assets		
A. ON-BALANCE-SHEET EXPOSURES							
A.1 On demand							
a) Non-performing	-	X	-	-	-	-	-
b) Performing	-39	-35	-4	X	-	55,614	-
A.2 Other							
a) Bad loans	-	X	-	-	-	-	-
- Of which: forborne exposures	-	X	-	-	-	-	-
b) Unlikely to Pay	-	X	-	-	-	-	-
- Of which: forborne exposures	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	-
- Of which: forborne exposures	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-
e) Other performing exposures	-307	-307	-	X	-	4,950,467	-
- Of which: forborne exposures	-	-	-	X	-	-	-
TOTAL (A)	**-346**	**-342**	**-4**	**-**	**-**	**5,006,081**	**-**
B. OFF-BALANCE-SHEET EXPOSURES							
a) Non-performing	-	X	-	-	-	-	-
b) Performing	-5	-5	-	X	-	85,256	-
TOTAL (B)	**-5**	**-5**	**-**	**-**	**-**	**85,256**	**-**
TOTAL (A+B)	**-351**	**-347**	**-4**	**-**	**-**	**5,091,337**	**-**

(*) Value to be stated for disclosure purposes.

A.1.5 Prudential consolidation - On-balance-sheet and off-balance-sheet exposure to customers: gross and net values

Type of exposures/Values	Gross exposure				
		Stage 1	Stage 2	Stage 3	POCI assets
A. On-balance-sheet exposures					
a) Bad loans	197,558	X	-	187,992	9,566
- of which: forborne exposures	62,901	X	-	62,901	-
b) Unlikely to Pay	1,074,693	X	-	1,073,084	1,609
- of which: forborne exposures	418,550	X	-	418,550	-
c) Non-performing past due exposures	13,844	X	-	13,844	-
- of which: forborne exposures	861	X	-	861	-
d) Performing past due exposures	73,933	32,781	41,152	X	-
- of which: forborne exposures	5,979	-	5,979	X	-
e) Other performing exposures	17,765,652	16,836,313	929,339	X	-
- of which: forborne exposures	187,391	-	187,391	X	-
Total (A)	**19,125,680**	**16,869,094**	**970,491**	**1,274,920**	**11,175**
B. Off-balance-sheet exposures					
a) Non-performing	52,212	X	-	52,212	-
b) Performing	5,308,273	5,228,646	79,627	X	-
Total (B)	**5,360,485**	**5,228,646**	**79,627**	**52,212**	**-**
TOTAL (A+B)	**24,486,165**	**22,097,740**	**1,050,118**	**1,327,132**	**11,175**

Type of exposures/Values	Total adjustments and total provisions for credit risk					POCI assets	Total/partial write-offs(*)
		Stage 1	Stage 2	Stage 3	POCI assets		
A. On-balance-sheet exposures							
a) Sofferenze	-165,386	X	-	-155,820	-9,566	32,172	8,547
- of which: forborne exposures	-49,791	X	-	-49,791	-	13,110	-
b) Unlikely to Pay	-524,957	X	-	-523,833	-1,124	549,736	1,316
- of which: forborne exposures	-234,028	X	-	-234,028	-	184,522	-
c) Non-performing past due exposures	-1,935	X	-	-1,935	-	11,909	43
- of which: forborne exposures	-125	X	-	-125	-	736	-
d) Performing past due exposures	-1,967	-260	-1,707	X	-	71,966	1
- of which: forborne exposures	-379	-	-379	X	-	5,600	-
e) Other performing exposures	-86,496	-48,601	-37,895	X	-	17,679,156	-
- of which: forborne exposures	-12,912	-	-12,912	X	-	174,479	-
Total (A)	**-780,741**	**-48,861**	**-39,602**	**-681,588**	**-10,690**	**18,344,939**	**9,907**
B. Off-balance-sheet exposures							
a) Non-performing	-22,262	X	-	-22,262	-	29,950	-
b) Performing	-2,752	-2,497	-255	X	-	5,305,521	-
Total (B)	**-25,014**	**-2,497**	**-255**	**-22,262**	**-**	**5,335,471**	**-**
TOTAL (A+B)	**-805,755**	**-51,358**	**-39,857**	**-703,850**	**-10,690**	**23,680,410**	**9,907**

(*) Value to be stated for disclosure purposes.

A.1.5a Prudential consolidation - Loans under under Covid-19 support measures: gross and net values

Type of exposures/Values	Gross exposure				
		Stage 1	Stage 2	Stage 3	POCI assets
A. Bad loans:	**-**	**-**	**-**	**-**	**-**
a) Under EBA-compliant concessions	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-
c) Under other concession measures	-	-	-	-	-
d) New loans	-	-	-	-	-
B. Loans classified as Unlikely to Pay:	**293,588**	**-**	**-**	**293,588**	**-**
a) Under EBA-compliant concessions	146,798	-	-	146,798	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	30,634	-	-	30,634	-
c) Under other concession measures	92,830	-	-	92,830	-
d) New loans	23,326	-	-	23,326	-
C. Non-performing pastdue loans:	**2,969**	**-**	**-**	**2,969**	**-**
a) Under EBA-compliant concessions	2,046	-	-	2,046	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	32	-	-	32	-
c) Under other concession measures	326	-	-	326	-
d) New loans	565	-	-	565	-
D. Other performing pastdue loans:	**14,184**	**4,303**	**9,881**	**-**	**-**
a) Under EBA-compliant concessions	7,724	3,161	4,563	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-
c) Under other concession measures	3,107	-	3,107	-	-
d) New loans	3,353	1,142	2,211	-	-
E. Other performing loans:	**3,487,958**	**3,097,431**	**390,527**	**-**	**-**
a) Under EBA-compliant concessions	1,762,266	1,443,085	319,181	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	21,611	16,258	5,353	-	-
c) Under other concession measures	58,674	-	58,674	-	-
d) New loans	1,645,407	1,638,088	7,319	-	-
Total (A+B+C+D+E)	**3,798,699**	**3,101,734**	**400,408**	**296,557**	**-**

Type of exposures/Values	Total adjustments and total provisions for credit risk					Net exposure	Total/ partial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI a ssets		
A. Bad loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Under EBA-compliant concessions	-	-	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-	-	-
c) Under other concession measures	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-
B. Loans classified as Unlikely to Pay:	**-92,365**	**-**	**-**	**-92,365**	**-**	**201,223**	**-**
a) Under EBA-compliant concessions	-52,087	-	-	-52,087	-	94,711	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-8,381	-	-	-8,381	-	22,253	-
c) Under other concession measures	-25,628	-	-	-25,628	-	67,202	-
d) New loans	-6,269	-	-	-6,269	-	17,057	-
C. Non-performing pastdue loans:	**-433**	**-**	**-**	**-433**	**-**	**2,536**	**-**
a) Under EBA-compliant concessions	-315	-	-	-315	-	1,731	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-3	-	-	-3	-	29	-
c) Under other concession measures	-46	-	-	-46	-	280	-
d) New loans	-69	-	-	-69	-	496	-
D. Other performing pastdue loans	**-518**	**-48**	**-470**	**-**	**-**	**13,666**	**-**
a) Under EBA-compliant concessions	-255	-29	-226	-	-	7,469	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-	-	-
c) Under other concession measures	-202	-	-202	-	-	2,905	-
d) New loans	-61	-19	-42	-	-	3,292	-
E. Other performing loans:	**-33,888**	**-13,028**	**-20,860**	**-**	**-**	**3,454,070**	**-**
a) Under EBA-compliant concessions	-24,096	-6,931	-17,165	-	-	1,738,170	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-142	-59	-83	-	-	21,469	-
c) Under other concession measures	-3,384	-	-3,384	-	-	55,290	-
d) New loans	-6,266	-6,038	-228	-	-	1,639,141	-
Total (A+B+C+D+E)	**-127,204**	**-13,076**	**-21,330**	**-92,798**	**-**	**3,671,495**	**-**

(*) Value to be stated for disclosure purposes.

A.1.7 Prudential consolidation - On-balance-sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely to Pay	Non-performing past due exposures
A. Opening gross exposure	**307,898**	**630,754**	**23,018**
- of which: sold exposures not derecognized	6,198	20,752	1,551
B. Increases	**195,697**	**709,928**	**21,806**
B.1 from performing exposures	20,411	662,338	20,261
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	168,576	13,431	15
B.4 Contract modifications without derecognition	-	-	-
B.5 other increases	6,710	34,159	1,530
C. Decreases	**-306,037**	**-265,989**	**-30,980**
C.1 to performing exposures	-	-5,710	-6,549
C.2 Write-offs	-25,556	-9,346	-358
C.3 collections	-22,505	-74,293	-4,273
C.4 profits on disposals	-81,454	-3,021	-
C.5 losses on disposals	-41,428	-26	-
C.6 transfers to other categories of non-performing exposures	-7	-162,300	-19,715
C.7 Contract modifications without derecognition	-	-597	-
C.8 other decreases	-135,087	-10,696	-85
D. Closing gross exposure	**197,558**	**1,074,693**	**13,844**
- of which: sold exposures not derecognized	-	49,691	836

A.1.7bis Prudential consolidation - On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non-performing forborne exposures	Forborne exposures: performing
A. Opening gross exposure	**392,769**	**183,676**
- of which: sold exposures not derecognized	2,301	7,688
B. Increases	**215,317**	**152,483**
B.1 from non-forborne performing exposures	85,484	145,927
B.2 from forborne performing exposures	94,531	X
B.3 from forborne non-performing exposures	X	4,341
B.4 from non-forborne non-performing exposures	24,396	96
B.5 other increases	10,906	2,119
C. Decreases	**-125,774**	**-142,789**
C.1 to non-forborne performing exposures	X	-26,305
C.2 to forborne performing exposures	-4,341	X
C.3 to forborne non-performing exposures	X	-94,531
C.4 Write-offs	-7,867	-
C.5 collections	-46,352	-9,809
C.6 profits on disposals	-22,258	-
C.7 losses on disposals	-6,180	-
C.8 other decreases	-38,776	-12,144
D. Closing gross exposure	**482,312**	**193,370**
- of which: sold exposures not derecognized	13,081	18,927

A.1.9 Prudential consolidation – On-balance-sheet non-performing exposures to Customers: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	- of which: forborne exposures	Total	- of which: forborne exposures	Total	- of which: forborne exposures
A. Opening total adjustments	**193,516**	**38,899**	**269,037**	**151,370**	**2,286**	**103**
- of which: sold exposures not derecognized	2,437	148	4,330	441	187	41
B. Increases	**194,965**	**56,990**	**356,515**	**129,213**	**2,689**	**214**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	81,136	26,394	320,937	118,881	2,627	161
B.3 losses on disposals	41,428	6,180	26	-	-	-
B.4 transfers from other categories of non-performing exposures	67,403	24,108	1,375	83	3	-
B.5 Contract modifications without derecognition	897	-	31,372	-	58	-
B.6 other increases	4,101	308	2,805	10,249	1	53
C. Decreases	**-223,095**	**-46,098**	**-100,595**	**-46,555**	**-3,040**	**-192**
C.1 writebacks from valuations	-4,956	-1,655	-12,498	-7,448	-662	-37
C.2 recoveries from collection	-5,267	-781	-6,369	-4,098	-38	-
C.3 profits on disposal	-10,936	-3,163	-432	-431	-	-
C.4 write-offs	-25,555	-1,481	-9,346	-6,386	-358	-
C.5 transfers to other categories of non-performing exposures	-8	-	-66,820	-24,036	-1,953	-155
C.6 Contract modifications without derecognition	-11	-	-814	-	-29	-
C.7 other decreases	-176,362	-39,018	-4,316	-4,156	-	-
D. Total closing adjustments	**165,386**	**49,791**	**524,957**	**234,028**	**1,935**	**125**
- of which: sold exposures not derecognized	-	-	13,002	3,334	110	2

Item.6 other increases“ relating to “forborne exposures” includes increases in adjustment provisions relating to forborne exposures during the year that, however, do not show changes in the risk category to which they belong at the beginning of the year.

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating grades (gross values)

The information on exposures for external ratings is not provided in that Credito Valtellinese mainly uses internal ratings in credit risk management and in the calculation of the risk asset.

A.2.2 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating grades (gross values)

The table below gives the breakdown of on-balance-sheet and off-balance-sheet gross exposures to customers by internal rating grade. The “Without rating” column reports also exposures to customers without internal rating and in default. A considerable portion of on-balance-sheet exposures without internal rating consists of the exposures to the Italian State.

The rating grades are shown ordered by decreasing creditworthiness.

Exposures	Internal rating grades				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
A. Financial assets measured at amortized cost	**1,181,284**	**1,976,435**	**2,095,597**	**2,352,440**	**2,090,478**
- Stage 1	1,179,435	1,967,046	2,080,929	2,299,002	2,013,927
- Stage 2	1,849	9,389	14,668	53,438	76,551
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**1,013**	**2,893**
- Stage 1	-	-	-	1,013	2,893
- Stage 2	-	-	-	-	-
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
C. Financial assets being divested	**633**	**17,443**	**30,894**	**55,639**	**42,638**
- Stage 1	633	17,443	30,894	55,639	42,638
- Stage 2	-	-	-	-	-
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
Total (A+B+C)	**1,181,917**	**1,993,878**	**2,126,491**	**2,409,092**	**2,136,009**
D. Commitments to disburse funds and financial guarantees given	**521,371**	**1,083,095**	**1,133,198**	**651,739**	**760,782**
- Stage 1	521,258	1,082,679	1,133,185	651,739	758,868
- Stage 2	113	416	13	-	1,914
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
Total (D)	**521,371**	**1,083,095**	**1,133,198**	**651,739**	**760,782**
Total (A+B+C+D)	**1,703,288**	**3,076,973**	**3,259,689**	**3,060,831**	**2,896,791**

Exposures	Internal rating grades					
	Grade 6	Grade 7	Grade 8	Grade 9	Without rating	Total
A. Financial assets measured at amortized cost	**1,498,522**	**691,565**	**365,504**	**210,589**	**5,645,120**	**18,107,534**
- Stage 1	1,348,232	542,675	161,980	48,195	4,432,505	16,073,926
- Stage 2	150,290	148,890	203,524	162,394	43,231	864,224
- Stage 3	-	-	-	-	1,169,384	1,169,384
- POCI assets	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**2,995**	**2,930**	**-**	**-**	**452,757**	**462,588**
- Stage 1	2,995	2,930	-	-	452,231	462,062
- Stage 2	-	-	-	-	526	526
- Stage 3	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-
C. Financial assets being divested	**25,578**	**13,768**	**4,026**	**2,121**	**361,112**	**553,852**
- Stage 1	19,729	11,995	1,551	950	149,342	330,814
- Stage 2	5,849	1,773	2,475	1,171	95,059	106,327
- Stage 3	-	-	-	-	105,536	105,536
- POCI assets	-	-	-	-	11,175	11,175
Total (A+B+C)	**1,527,095**	**708,263**	**369,530**	**212,710**	**6,458,989**	**19,123,974**
D. Commitments to disburse funds and financial guarantees given	**170,071**	**66,186**	**29,590**	**5,573**	**540,032**	**4,961,637**
- Stage 1	159,553	51,769	17,163	1,750	481,695	4,859,659
- Stage 2	10,518	14,417	12,427	3,823	35,986	79,627
- Stage 3	-	-	-	-	22,351	22,351
- POCI assets	-	-	-	-	-	-
Total (D)	**170,071**	**66,186**	**29,590**	**5,573**	**540,032**	**4,961,637**
Total (A+B+C+D)	**1,697,166**	**774,449**	**399,120**	**218,283**	**6,999,021**	**24,085,611**

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.2 Prudential consolidation - On-balance-sheet and off-balance-sheet secured exposures to customers

	Gross exposure	Net exposure	Collaterals (1)			
			Property - Mortgages	Property - loans for leases	Securities	Other collaterals
1. On-balance-sheet secured exposure:						
1.1 fully secured	9,683,043	9,127,267	6,871,280	211,612	59,295	68,942
- of which non-performing	1,034,595	539,615	480,755	28,587	484	1,082
1.2 partially secured	1,801,595	1,763,590	1,648	-	6,030	7,061
- of which non-performing	48,226	19,126	1,588	-	547	327
2. Off-balance-sheet secured exposures						
2.1 fully secured	815,957	812,741	34,604	-	56,020	24,206
- of which non-performing	14,707	11,695	3,253	-	73	266
2.2 partially secured	156,883	156,754	-	-	4,282	9,589
- of which non-performing	1,413	1,304	-	-	9	315

	Personal (2)									Total (1)+(2)
	Credit derivates					Signature loans				
	CLN	Other derivates				Public administation bodies	Banks	Other financial companies	Other parties	
		Counte central	Banks	Other financial companies	Altri soggetti					
1. On-balance-sheet Secured exposures:										
1.1 fully secured	-	-	-	-	-	870,618	343	129,601	835,786	**9,047,477**
- of which non- performing	-	-	-	-	-	12,076	-	386	16,325	**539,695**
1.2 partially secured	-	-	-	-	-	1,046,176	140,484	2,695	114,105	**1,318,199**
- of which non- performing	-	-	-	-	-	11,489	484	66	1,736	**16,237**
2. Off-balance-sheet secured exposures:										
2.1 fully secured	-	-	-	-	-	19,301	30	6,205	672,475	**812,841**
- of which non- performing	-	-	-	-	-	477	-	132	7,820	**12,021**
2.2 partially secured	-	-	-	-	-	24,030	-	421	50,934	**89,256**
- of which non- performing	-	-	-	-	-	328	-	-	50	**702**

Exposures are classified as “fully secured” and “partially secured” by comparing the closing gross amount with the amount of the guarantee established by contract, considering also supplements to the guarantees. In accordance with Circular 262, columns “collaterals” and “personal guarantees” show the fair value of the guarantee at the end of the reporting period and this value cannot exceed the value of the secured net exposure.

A.4 PRUDENTIAL CONSOLIDATION – FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH THE ENFORCEMENT OF THE RECEIVED GUARANTEES AND COLLATERALS

A.4 Prudential consolidation – Financial and non-financial assets obtained through the enforcement of the guarantees received

Exposures	Exposure written off	Gross value	Total adjustments	Book value	
					Of which obtained in the FY
A. Property, plant and equipment:	**48,709**	**51,208**	**-16,940**	**34,268**	**253**
A.1. Operating assets	-	-	-	-	-
A.2. Investment property	30,613	33,048	-11,692	21,356	253
A.3. Inventories	18,096	18,160	-5,248	12,912	-
B. Equity securities and debt securities	**-**	**-**	**-**	**-**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and discontinued operations	**-**	**-**	**-**	**-**	**-**
D.1. Property, Plant and Equipment	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31 Dec. 2021	**48,709**	**51,208**	**-16,940**	**34,268**	**253**
Total 31 Dec. 2020	**48,459**	**54,452**	**-8,861**	**45,591**	**-**

B. B. BREAKDOWN AND CONCENTRATION OF EXPOSURES

B.1 PRUDENTIAL CONSOLIDATION - BREAKDOWN BY SECTOR OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial companies		Households	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-345	4,534	-15,872	-	-	15,117	-111,859	12,521	-37,310
- of which: forborne exposures	-	-	4,327	-12,893	-	-	7,335	-33,649	1,448	-3,249
A.2 Unlikely to Pay	274	-411	7,795	-6,434	-	-	433,829	-452,338	107,838	-65,774
- of which: forborne exposures	-	-	557	-339	-	-	151,039	-213,895	32,926	-19,794
A.3 Non-performing past-due exposures	-	-	32	-12	-	-	2,325	-356	9,552	-1,567
- of which: forborne exposures	-	-	-	-	-	-	188	-53	548	-72
A.4 Performing exposures	3,983,747	-5,636	1,253,455	-3,798	11,550	-25	6,818,199	-53,171	5,695,721	-25,858
- of which: forborne exposures	21,462	-845	3,721	-380	-	-	82,778	-8,827	72,118	-3,239
Total (A)	**3,984,021**	**-6,392**	**1,265,816**	**-26,116**	**11,550**	**-25**	**7,269,470**	**-617,724**	**5,825,632**	**-130,509**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	197	-2	-	-	28,081	-21,718	1,672	-542
B.2 Performing exposures	500,511	-88	484,000	-131	69	-	3,631,614	-1,961	689,396	-572
Total (B)	**500,511**	**-88**	**484,197**	**-133**	**69**	**-**	**3,659,695**	**-23,679**	**691,068**	**-1,114**
Total (A+B) 31 Dec. 2021	**4,484,532**	**-6,480**	**1,750,013**	**-26,249**	**11,619**	**-25**	**10,929,165**	**-641,403**	**6,516,700**	**-131,623**
Total (A+B) 31 Dec. 2020	**4,916,969**	**-1,305**	**2,671,371**	**-22,276**	**11,519**	**-23**	**11,650,529**	**-407,928**	**6,454,259**	**-115,439**

B.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN BY SECTOR OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	10,876	-59,894	1,571	-10,464	8,363	-31,821	11,362	-62,782
A.2 Unlikely to Pay	330,322	-322,782	27,609	-25,377	91,281	-75,049	100,226	-101,351
A.3 Non-performing past-due exposures	3,696	-615	369	-58	2,577	-296	5,208	-966
A.4 Performing exposures	7,087,200	-40,464	1,676,391	-8,778	6,312,850	-21,127	2,260,088	-17,708
Total (A)	**7,432,094**	**-423,755**	**1,705,940**	**-44,677**	**6,415,071**	**-128,293**	**2,376,884**	**-182,807**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	19,270	-5,980	354	-117	6,455	-9,975	3,803	-6,219
B.2 Performing exposures	3,266,554	-1,245	508,702	-287	846,112	-755	644,224	-440
Total (B)	**3,285,824**	**-7,225**	**509,056**	**-404**	**852,567**	**-10,730**	**648,027**	**-6,659**
Total (A+B) 31 Dec. 2021	**10,717,918**	**-430,980**	**2,214,996**	**-45,081**	**7,267,638**	**-139,023**	**3,024,911**	**-189,466**
Total (A+B) 31 Dec. 2020	**11,060,731**	**-283,884**	**2,466,681**	**-32,176**	**8,389,686**	**-97,819**	**3,159,215**	**-131,866**

B.3 PRUDENTIAL CONSOLIDATION – BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO BANKS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	133,539	-123	66,306	-74	4,599,312	-25	-	-
Total (A)	133,539	-123	66,306	-74	4,599,312	-25	-	-
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	7,495	-5	30,521	-	46,467	-	-	-
Total (B)	7,495	-5	30,521	-	46,467	-	-	-
Total (A+B) 31 Dec. 2021	141,034	-128	96,827	-74	4,645,779	-25	-	-
Total (A+B) 31 Dec. 2020	116,300	-92	37,581	-44	1,247,572	-49	-	-

B.4 LARGE EXPOSURES

	31 Dec. 2021
a) Amounts - carrying amount	15,047,172
b) Amounts - weighted amount	1,190,214
c) Number	20

The amount of “risk positions” that constitute “large risk” is given making reference to both the carrying amount and the weighted amount. Specifically, in accordance with Regulation (EU) 575/2013 and with the Bank of Italy Circulars 154 and 286 implementing it, the carrying amount is the book value of the exposure, while the weighted amount is the value of the exposure after the application of the Credit Risk Mitigation and of the exemption under Article 400 of the CRR.

The figures reported on an individual basis show exposures exceeding the threshold of 10% of the eligible capital to the Italian State amounting to Euro 4,961,079 thousand and for the remaining portion to banking and financial counterparties.

C. Securitizations

QUALITATIVE DISCLOSURES

Objectives, strategies and processes underlying securitisations

Securitisations are carried out in order to increase the degree of liquidity of the assets and the availability of financial instruments eligible for refinancing with the European Central Bank or usable as collateral for funding transactions with institutional and market counterparties and with the objective of transferring credit risk, in line with the company’s de-risking objectives.

Credito Valtellinese carries out both traditional securitisation transactions, which envisage the actual transfer of the loans portfolio to the special purpose company, and synthetic securitisation transactions that envisage, through the signing of financial or cash guarantee contracts, the purchase of protection for all or part of the credit risk underlying the loan portfolio that, unlike traditional securitisations, in this case is not transferred to a special purpose company but legally remains at the disposal of the Group.

At the reporting date, the following securitisation transactions detailed below were in place.

In 2018, the Bank completed the Quadrivio SME 2018 securitisation with the issue of seven classes of securities for a total of approximately EUR 1,470 million. Senior class A3 in the amount of EUR 200 million was fully subscribed by the European Investment Bank (EIB), while the other classes were fully subscribed by the originator bank Credito Valtellinese In January 2019, the European Investment Bank (EIB) purchased approximately EUR 85 million of the C1 lower mezzanine class

The above-described securitization does not meet the requirements for derecognizing the transferred exposures, which, therefore, have been fully represented in assets.

In 2017, Credito Valtellinese completed the securitisation of a bad loans portfolio for a gross amount of approximately EUR 1,405 million at 30 November 2016 by transferring this portfolio to a securitisation vehicle - Elrond NPL 2017 - established pursuant to Italian Law 130/1999, and the latter issued three different classes of ABS securities.

The securities of the senior tranche - with investment grade rating (Baa3 assigned by Moody's and BBB- by Scope Ratings), for which the Ministry of Economy and Finance granted the State guarantee (GACS) - are fully retained by Credito Valtellinese, whereas the mezzanine and junior tranches were placed with an institutional investor at the end of a competitive process (net of the significant interest of 5% that must be maintained by the originator).

In 2018, in line with the company's de-risking objectives, Credito Valtellinese completed a further securitisation of a portfolio of bad loans for a Gross Book Value on the cut-off date (31 December 2017) of approximately EUR 1,671 million, by transferring this portfolio to a securitisation vehicle - Aragorn NPL 2018 - established pursuant to Italian Law 130/1999, and the latter issued three different classes of ABS securities.

The securities of the senior tranche - with investment grade rating (BBBL assigned by DBRS and BBB- by Scope Ratings), for which the Ministry of Economy and Finance granted the State guarantee (GACS) - are fully retained by Credito Valtellinese, whereas the mezzanine and junior tranches were placed with institutional investors (net of the significant interest of 5% that must be maintained by the originator).

For the Elrond and Aragorn transactions, the conditions for the derecognition of transferred loans and receivables (transfer of risks) have been met.

The table summarizes the main elements of the above-described transactions.

Quadrivio SME 2018

Key transaction information	
Transaction finalized on	30 July 2018
Special-purpose entity	Quadrivio SME 2018 S.r.l.
Subject-matter of the transaction	Mortgage and unsecured loans to enterprises, craft enterprises and producer households
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,459,803**
Debt securities issued	**587,605**
of which senior A3	35,605
of which upper mezzanine B	102,200
of which upper mezzanine C1	100,000
of which upper mezzanine C2	89,800
Of which junior	260,000
Senior notes rating at issue	Aa2 Moody's and AAA DBRS
Cash reserve	6,060
Senior notes rating as at 31 Dec. 2021(*)	Aa3 Moody's and AAA DBRS

(*) The rating refers to tranche A3. The notes in tranches A1 and A2 were fully repaid.

In the Quadrivio SME 2018 transaction, the originator Bank holds the entire junior tranche and, therefore, Creval has not actually transferred any credit risk. Consequently, as the risks/rewards associated with the portfolio disposed of are substantially retained, the loans have not been derecognized from the Bank's assets.

Along with the assets disposed of and not derecognized, outstanding notes have been recognized as to the portion placed with third parties. In this case, the securitization special-purpose entity was consolidated on a line-item basis, albeit with no equity investments held in the entity. Based on that approach, all costs and revenues relating to the asset-backed securities, the recurring costs for the administrative management of the special-purpose entity, the costs for the supporting financial transactions and interest expenses on the notes placed in the market have been recognized in the income statement.

For the Quadrivio SME 2018 securitization transaction, the originator Bank signed a servicing contract with the special-purpose entity for coordination, management, administration and collection of the asset-backed securities, as well as for recovery activities in case of default by the borrowers. That contract provides for the payment of an annual servicing fee and for refund of expenses for each recovered loan.

Elrond NPL 2017

Key transaction information	
Transaction finalized on	14 July 2017
Special-purpose entity	Elrond NPL 2017 S.r.l.
Subject-matter of the transaction	Non-performing loans consisting of Mortgage and unsecured credit exposures to individuals and businesses (corporate and retail bnkg)
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,405,252**
Debt securities issued	**325,353**
Of which senior	262,853
Of which mezzanine	42,500
Of which junior	20,000
Senior notes rating at issue	Baa3 Moody's BBB- Scope Ratings
Limited recourse loan (Cash reserve)	11,148
Senior notes rating as at 31 Dec. 2021	B2 Moody's B+ Scope Ratings

Special servicing is performed by Cerved Credit Management S.p.A., whereas master servicing is performed by Cerved Master Servicer S.p.A..

Aragorn NPL 2018

Key transaction information	
Transaction finalized on	14 June 2018
Special-purpose entity	Aragorn NPL 2018 S.r.l.
Subject-matter of the transaction	Non-performing loans consisting of Mortgage and unsecured credit exposures to individuals and (corporate and retail bnkg enterprises
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,670,633**
Debt securities issued	**473,683**
of which senior	396,861
Of which mezzanine	66,822
Of which junior	10,000
Senior notes rating at issue	BBBL DBRS BBB- Scope Ratings
Limited recourse loan (Cash reserve)	20,732
Senior notes rating as at 31 Dec. 2021	CCCH DBRS B Scope Ratings

Master servicing is performed by Master Gardant S.p.A., whereas special servicing is performed jointly by Special Gardant S.p.A. and Cerved Credit Management S.p.A.

As the Elrond and Aragorn securitization transactions were carried out in order to transfer credit risk, there is a specific risk that the plan to transfer it may not fully succeed. Moreover, the sale of the mezzanine and junior tranches (by substantially transferring all risks and benefits related to securitized loans and the resulting accounting and prudential derecognition of the portfolio) and the granting of the GACS ensure ongoing compliance with the requirements regarding the significant transfer of credit risk.

Pillarstone Italy

In 2018, Credito Valtellinese, along with other banks, transferred its loans to Rainbow Magicland S.p.A. to the Pillarstone Italy SPV. With the loans disposed of totalling Euro 8.4 million, in January 2019 Credito Valtellinese subscribed class B1 notes for Euro 1.5 million and class C2 notes for Euro 6.9 million (the latter fully written down).

Key transaction information	
Special-purpose entity	Pillarstone Italy SPV S.r.l.
Subject-matter of the transaction	Non-performing loans toi RAINBOW MAGICLAND S.p.A.
Geographical area of the sold loans	Italy
Amount of the loans disposed of by Credito Valtellinese	**8,395**
Notes subscribed by Credito Valtellinese	**8,395**
of which class B1	1,469
of which class C2	6,926
Notes rating	N.R.

The role of Servicer was assigned to Banca Finint S.p.A. (within a corporate reorganization action, Securitisation Services S.p.A. was merged into Banca Finanziaria Internazionale S.p.A. - i,e, Banca Finint S.p.A.).

Tranched Cover – Creval 25

In 2020, the "Creval 25" portfolio was finalized for a tranched cover synthetic securitization on newly-originated loans to Retail and Corporate bnkg customers. The transaction provides for a personal guarantee to be given covering credit risk. The guarantee was given by the Central Guarantee Fund for SMEs on the junior tranche of a se3lected portfolio.

The portfolio of underlying exposures consists of loans originated in 2019 and 2020, to approximately 580 enterprises based throughout Italy, amounting to Euro 65.4 million (the junior tranche amounting to Euro 5.6 million, the senior tranche amounting to Euro 59.8 million).

Key transaction information	
Transaction finalized on	3 Oct. 2020
Originator	Creval S.p.A.
Type of transaction	Tranched Cover
Subject-matter of the transaction	Performing unsecured loans with average term to maturity of 60 months
Geographical area of the sold loans	Italy
Amount of the portfolio of underlying assets	**65,452**
Risk holder	
Senior tranche	Creval S.p.A.
Junior tranche	Partially covered by protection seller
Guarantees given by third parties	Guarantee given by the Central Guarantee Fund for SMEs on the junior tranche

Risk measurement and control internal systems and hedging policies

The specific risk deriving from securitisations is defined as the "risk that the economic substance of the securitisation transaction may not be fully reflected in the decisions of risk assessment and management".

The carrying out of securitisations also involves an exposure to other types of risks, different by type and entity in relation to the structure of the transactions. The following risks - considered as material within the Risk Appetite Framework as well - are identified:

- Operational risk (with materiality of the legal component as well);
- Counterparty risk;
- Credit risk;
- Reputational risk;
- Liquidity risk;
- Interest Rate Risk on the Banking book;
- Non-compliance risk;

In monitoring and governing the securitisations risk, the following corporate areas are mainly involved:

- Financial Stakes & Non-Core Assets Area;
- Chief Lending Officer (CLO) Area;
- Chief Risk Officer (CRO) Area;
- Accounting, Planning & Control Area;

Which ensure the structuring, monitoring and control of the risk.

The Financial Stakes & Non-Core Assets Area supports the Corporate Bodies in defining, in accordance with the Risk Appetite Framework, the strategies for the gradual disposal of non-core assets. With special reference to the risk in question, it manages the structuring of Securitisation transactions, coordinating with the internal structures of the CLO Area and the Accounting, Planning and Control Area and with external counterparties. By means of the competent structures, it monitors on a regular basis the performance of flows and payments related to securitized loans and relevant securities; collaborates to produce reports for different structures of Creval competent in this field; produces the periodic reports contractually agreed upon and the information requested by and intended for administrative and financial counterparties, rating agencies, investors.

With a special reference to any investments in transactions with underlying non-performing assets, the Group defined a specific process that defines roles, responsibilities and activities in the proposal, evaluation, approval, monitoring and reporting phases. Also note the collaboration of the Group with consultants and partners of high standing.

In general, the internal audit system of the Group makes sure that the risks deriving from such transactions - including the reputational risks originating, for example, from the use of structures or complex products - are managed and evaluated by means of policies and procedures to ensure that the economic substance of these transactions is fully in line with their risk assessment and with the decisions of the Corporate Bodies Specifically, the CRO Area, in line with the company objectives and strategies, monitors risk exposure and supports the other functions in structuring the transactions and assessing their impact on the Risk Appetite Framework and the A-IRB risk parameters. With regard to assessment of exposure to risk, the different profiles are taken in consideration as part of the ordinary course of business related to the different types of risk. Specifically, the Risks and Controls Department prepares on a monthly basis the Tableau de Bord for the General Management and the Board of Directors of the Bank, which also monitors the exposure to credit risk, interest rate risk of the banking book, liquidity risk and operational risk. The analyses carried out by the Risks and Control Department on the profiles of operational liquidity, structural liquidity and interest rate risk exposure take also into account the impact of the securitisations.

Securitisation activities of third parties

Creval also invests in securitisation transactions originated by third parties. As at the reporting date, the exposure consisted almost entirely of senior notes and referred to Italian asset portfolios.

QUANTITATIVE DISCLOSURES

C.1 PRUDENTIAL CONSOLIDATION - EXPOSURES RESULTING FROM "OWN" MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND TYPE OF EXPOSURES

Type of securitized assets/ Exposures	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries
A. Fully derecognized						
- Type of assets: Non-performing loans	659,685	-22	133	-	-	-
B. Partially derecognized						
- Type of assets	-	-	-	-	-	-
C. Not derecognized						
- Type of assets: Mortgage and unsecured loans	27,008	-169	189,245	-8,352	236,558	-10,324

Type of securitized assets/ Exposures	Financial guarantees given					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries
A. Fully derecognized						
- Type of assets: Non-performing loans	-	-	-	-	-	-
B. Partially derecognized						
- Type of assets	-	-	-	-	-	-
C. Not derecognized						
- Type of assets: Mortgage and unsecured loans	-	-	-	-	-	-

Type of securitized assets/ Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries
A. Fully derecognized						
- Type of assets: Non-performing loans	-	-	-	-	-	-
B. Partially derecognized						
- Type of assets	-	-	-	-	-	-
C. Not derecognized						
- Type of assets: Mortgage and unsecured loans	-	-	-	-	-	-

C.2 PRUDENTIAL CONSOLIDATION - EXPOSURES RESULTING FROM "THIRD PARTYI" MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND TYPE OF EXPOSURES

Type of underlying assets/Exposures	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries
A.1. Asset type: Non-performing loans	7,842	-	1,227	-	264	-230
A.2. Asset type: Consumer loans	3,212	-	-	-	-	-
A.3. Asset type: Residential loans	3,508	-	-	-	-	-

Type of underlying assets/Exposures	Financial guarantees given					
	Senior		Mezzanine		Junior	
	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries
A.1. Asset type: Non-performing loans	-	-	-	-	-	-
A.2. Asset type: Consumer loans	-	-	-	-	-	-
A.3. Asset type: Residential loans	-	-	-	-	-	-

Type of underlying assets/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries
A.1. Asset type: Non-performing loans	-	-	-	-	-	-
A.2. Asset type: Consumer loans	-	-	-	-	-	-
A.3. Asset type: Residential loans	-	-	-	-	-	-

C.3 PRUDENTIAL CONSOLIDATION – EQUITY INTERESTS IN SECURITIZATION SPECIAL-PURPOSE ENTITIES

The following table provides evidence of all the assets and liabilities, as they appear in the separate assets of the special purpose entity.

Securitization name/SPE name	Registered Office	Consolidation	Assets			Liabilities		
			Credit	Debt securities	Other	Senior	Mezzanine	Junior
Elrond NPL 2017 S.r.l.	Conegliano Veneto (TV), Italy	No	276,946	-	29,191	262,995	44,522	22,482
Aragorn NPL 2018 S.r.l.	Rome	No	287,067	-	49,536	396,861	75,345	13,469
Pillarstone Italy SPV S.r.l.	Milan, Italy	No	50,457	-	6	25,929	25,648	108,480
Quadrivio SME 2018 S.r.l.(*)	Conegliano Veneto (TV), Italy	Yes	467,047	-	125,960	35,605	292,460	260,766

(*) SPE consolidated for accounting purposes.

As regards the Elrond, Aragorn and Pillarstone transactions, given that there is no control in accordance with FRS 10 and considering the transfer to third parties of all the risks and rewards, the special-purpose entities have not been consolidated.

C.4 PRUDENTIAL CONSOLIDATION - SECURITIZATION SPECIAL-PURPOSE ENTITIES NOT CONSOLIDATED

As at 31 December 2021 the Bank held the senior tranches issued by the special-purpose entities Elrond NPL 2017 and Aragorn NPL 2018 backed by the GACS Italian State guarantee and amounting to a book value of Euro 659,685 thousand, and 5% of the mezzanine and junior tranches having a total book value of Euro 50 thousand. Within those transactions, Credito Valtellinese made limited recourse loans to the special-purpose entities to provide them with cash reserves to manage the risk of any mismatch between the funds from collections and recoveries on the portfolio of transferred loans on the one hand, and the necessary funds to pay interests on the senior ABS on the other, amounting to Euro 30,709 thousand and recognized in item "40. Financial assets measured at amortized cost". As regards the Pillarstone transaction, Credito Valtellinese subscribed a portion of the mezzanine notes amounting to Euro 1,469 thousand, having a total book value of Euro 1,310 thousand, and a portion of the junior notes amounting to Euro 6,926 thousand and fully written down.

The maximum exposure to the risk of loss is equal to the sum of the book values of the recognized tranches amounting to Euro 661,045 thousand, and the book value of the limited recourse loans amounting to Euro 30,709 thousand. The State guarantee limits the variability of the results for Creval on the senior tranche and, therefore, the maximum exposure to the risk of loss decreases to Euro 32,069 thousand.

C.6 PRUDENTIAL CONSOLIDATION - SECURITIZATION SPECIAL-PURPOSE ENTITIES CONSOLIDATED

For more exhaustive information on the securitization special-purpose entities that have been consolidated, please see chapter C.1 – Securitizations – QUALITATIVE DISCLOSURES.

D. ASSET DISPOSALS

A. FINANCIAL ASSETS DISPOSED OF AND NOT FULLY DERECOGNIZED

QUALITATIVE DISCLOSURES

The transfer transactions that did not resulted in the derecognition of the underlying financial assets are securitizations of credit exposures.

The Quadrivio SME 2018 securitization does not meet the requirements for derecognizing the transferred exposures, which, therefore, have been fully represented in assets.

QUANTITATIVE DISCLOSURES

D.1 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS SOLD AND FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: BOOK VALUES

	Sold financial assets fully recognized				Associated financial liabilities		
	Book value	of which: securitized	of which: subject to sale contracts with repurchase agreements	of which deteriorate	Book value	of which: securitized	of which: subject to sale contracts with repurchase agreements
A. Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-		X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortized cost	**469,287**	**469,287**	**-**	**37,380**	**44,313**	**44,313**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	469,287	469,287	-	37,380	44,313	44,313	-
Total 31 Dec. 2021	**469,287**	**469,287**	**-**	**37,380**	**44,313**	**44,313**	**-**
Total 31 Dec. 2020	**1,276,570**	**970,947**	**305,623**	**21,182**	**633,051**	**313,757**	**319,294**

D.3 PRUDENTIAL CONSOLIDATION - DISPOSAL TRANSACTIONS WITH LIABILITIES HAVING RECOURSE EXCLUSIVELY ON THE ASSETS DISPOSED OF AND NOT FULLY DERECOGNIZED: FAIR VALUE

	Fully recognized	Partially recognized	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortized cost (fair value)	**490,055**	**-**	**490,055**	**1,017,256**
1. Debt securities	-	-	-	-
2. Loans	490,055	-	490,055	1,017,256
Total financial assets	**490,055**	**-**	**490,055**	**1,017,256**
Total associated financial liabilities	**44,151**	**-**	**X**	**X**
Net value 31 Dec. 2021	**445,904**	**-**	**445,904**	**X**
Net value 31 Dec. 2020	**702,337**	**-**	**X**	**702,337**

B. FINANCIAL ASSETS DISPOSED OF AND FULLY DERECOGNIZED WITH RECOGNITION OF CONTINUING INVOLVEMENT

As at the reporting date, there were no financial assets transferred and fully derecognised with recognition of continuing involvement.

C. FINANCIAL ASSETS DISPOSED OF AND FULLY DERECOGNIZED

As at the reporting date, there were no Financial assets disposed of and not fully derecognized.

D. PRUDENTIAL CONSOLIDATION - COVERED BOND TRANSACTIONS

As at the reporting date, there were no covered bonds transactions.

E. PRUDENTIAL CONSOLIDATION – CREDIT RISK MEASUREMENT MODELS

Please, see the description under qualitative disclosures on credit risk.

1.2 – MARKET RISK

1.2.1 - INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

"Supervisory Trading Book" means the portfolio of financial instruments subject to the capital requirements for marker risks, as laid down in the supervisory reporting rules.

QUALITATIVE DISCLOSURES

A. General aspects

The trading book comprises bonds, shares and trading derivatives. The financial instruments in the book are mainly in Euro.

The exposure remains well within established limits. The main portion of the portfolio risk consists of foreign exchange risk.

B. Management and measurement of interest rate and price risks

Investment policies are based on criteria that aim to limit market risk for the components that Creval intends to consciously assume:

- Interest rate risk;
- Price risk;
- Foreign exchange risk.

In line with the Banking Group's retail mission that mostly entails the assumption of lending risk with regard to specific customer segments, the financial assets are mainly used to ensure protection of the overall technical equilibrium. Management of the trading book is specifically aimed at optimising income from the financial resources available.

The responsibility for managing market risk mainly lies within the risk control function, which is vested in the Chief Risk Officer of Credito Valtellinese, whose duties are described in the previous paragraphs.

The risk management process regarding the market risk for the trading book is governed by a specific corporate regulation approved by the Board of Directors of Credito Valtellinese and periodically reviewed. This regulation formalises the performance of the risk management activities regarding such types of risks, defines the tasks and responsibilities assigned to the various organisational units in charge, and sets out, among other things, the strategic directions, management policy, measurement methods, exposure limits, information flows and any mitigation interventions that may be necessary. Therefore, investment and trading are carried out in compliance with the mentioned policies and are implemented as part of an extensive system of assigned management powers and according to detailed regulations envisaging defined management limits in terms of instruments, amounts, investment markets, issue and issuer types, sectors and ratings.

Risk measurement, carried out on a daily basis, uses both analytical techniques (establishing the duration of the bond portfolio with regard to interest rate risk exposure) and statistical estimate techniques of the Value at Risk (VaR).

The VaR measures the maximum loss the trading book may incur based on volatility and historic correlation of the individual market risk factors (interest rates, share prices and exchange rates) and credit risk of the issuer. The estimate is carried out by using the parametric approach, based on the volatility and the correlations of risk factors observed in a certain period, over a 10-day period and a 99% confidence interval. The data used are provided by market players. This model is not used to determine the minimum capital requirement for market risk.

The Risk Management Department, by means of the Financial and Operational Risk Division, monitors on a daily basis Creval's exposure to market risk and verifies compliance with the system of limits. Adequate information flows are provided on a regular and timely basis to corporate bodies and functions of management and control; any overrun of the risk exposure limits are promptly reported to the functions identified by internal regulations in accordance with the set procedures.

Considering the composition and negligible size of the trading securities book, there were no impacts of the Covid-19 pandemic.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance- sheet financial assets and liabilities and financial derivatives

Type/Residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 1 year to 5 years	Over 10 years	Indefinite maturity
1. On-balance-sheet assets	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**
1.1 Debt securities	-	-	-	-	1	1	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	1	1	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	**-**	**37**	**6**	**2**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	37	6	2	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	37	6	2	-	-	-	-
+ long positions	-	44,560	13,335	4,936	-	-	-	-
+ short positions	-	44,523	13,329	4,934	-	-	-	-

The above table shows both Euro and foreign currency transactions in that the foreign currency component is not relevant.

Forward purchase and sale transactions of securities or currencies are reported in item "3. Financial derivatives". The sensitivity of the portfolio to interest rate variations is very limited.

In the event of parallel shifts in the yield curve by +100 basis points and -100 basis points (using the floor provided for by the EBA) the consequent positive change in interest income, over a time horizon of 12 months, would be negligible.

The changes shown are negligible and would be directly reflected in the net interest income and would be offset by opposite changes in the value of the portfolio.

The overall impact on the financial position and profit or loss would be extremely limited.

Il complessivo impatto patrimoniale e reddituale sarebbe estremamente contenuto.

2. Supervisory Trading Book: breakdown of exposures in equity securities and equity indices by listing market country

Type of transaction/Listing market	Listed Italy	Listed Holland	Unlisted
A. Equity securities	**1**	**1**	**-**
- long positions	1	1	-
- short positions	-	-	-
B. Sales and purchases not yet settled in equity securities	**-**	**-**	**-**
- long positions	-	-	-
- short positions	-	-	-
C. Other derivatives on equity securities	**-**	**-**	**-**
- long positions	-	-	-
- short positions	-	-	-
D. Equity Index Derivatives	**-**	**-**	**-**
- long positions	-	-	-
- short positions	-	-	-

Since the amount of exposure in equity instruments and derivatives on such instruments is modest, any small or big change in prices would not have significant effects on the financial position or on profit or loss.

3. Supervisory Trading Book - internal methods and other sensitivity analysis methods

Creval uses one model to monitor the risks associated with its trading book. Therefore, the tables below illustrate information on VaR, inclusive of all risk factors that determine it.

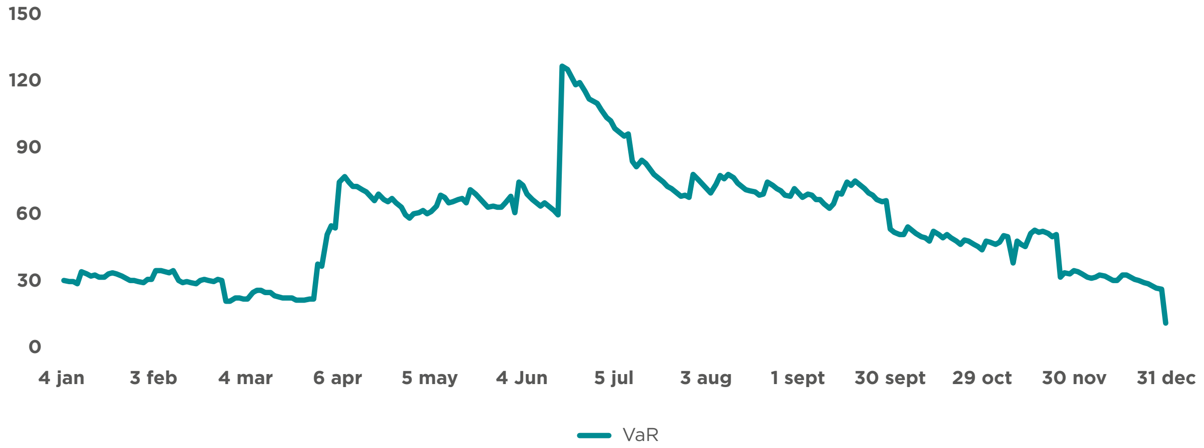
During the financial year, the VaR recorded extremely limited values both in absolute terms and in relation to the allocated VaR.

The main factors to which the securities portfolio is exposed are price risk and currency risk arising from forward purchase and sale transactions as part of the ordinary course of Loans to customers measured at amortised cost. Exposure to issuer risk and interest rate risk is extremely limited.

Supervisory Trading Book- VaR performance (in thousands of EUR)

2021				2020		
Average	Minimum	Maximum	31 Dec. 2021	Average	Minimum	Maximum
54	10	126	10	102	30	210

VaR Credito Valtellinese 2021



Supervisory Trading Book - Contribution of risk factors to the VaR calculation

Situation as at 31 Dec. 2021				
Price and specific risk	Interest rate rusk	Foreign exchange risk	Issuer risk	Diversificati on benefit
4.6%	0.6%	94.3%	0.5%	-5.8%

Supervisory Trading Book - Breakdown of exposures in bonds by type of issuer

Situation as at 31 Dec. 2021				
Sovereign issuers	Public issuers	Banks	Insurance companies and other financial companies	Corporate
53.1%	0%	46.9%	0%	0%

1.2.2 - INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

The banking book consists of all financial instruments payable and receivable not included in the trading book. It mainly comprises loans and receivables with banks and customers, Government bonds and other securities including GACS-backed securities of securitisation.

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk and price risk

The interest-rate risk is a typical risk of the banking activity, which mainly consists in funding and in lending.. The existence in the financial statements of the Bank of interest-bearing assets and onerous liabilities forms the source of exposure to the interest rate risk for Credito Valtellinese. Interest rate risk management aims to minimise the impact of unfavourable changes in the rates curve on the economic value of equity and on cash flows generated by balance sheet items.

Limiting exposure to interest rate risk is achieved primarily by index-linking asset and liability items to money market benchmarks (usually the Euribor rate) and by balancing the duration of the asset or liability. The objectives with respect to interest rate risk exposure are considered when carrying out strategic and operational planning, both when identifying and developing new products.

The management of interest rate risk falls within the risk control function, which is vested in the Chief Risk Officer of Credito Valtellinese, whose duties are described in the previous paragraphs.

Measurement of interest rate risk on the banking book is firstly based on the economic value approach, defined as the current value of expected net financial flows generated by assets, liabilities and off-balance-sheet items. Given that the present value of the expected cash flows depends on the interest rates, their variation affects the economic value of Creval. This measurement is based on pre-set changes in the structure of the rates applied to on- and off-balance-sheet items as at the reporting date The reactivity to changes in interest rates is measured either through sensitivity indicators or through revaluation of the assets, liabilities and off-balance-sheet items (internal management model). The changes in the economic value that result are then normalised in proportion to own funds.

In order to better assess the exposure to the interest rate risk, a model is used to treat on demand items with a theoretical maturity and frequency of rate review of one day (contractual profile) but deemed to be more stable on the basis of the statistical analysis of the persistence of volumes and the stickiness of the rates (behavioural profile). The statistical analysis identified a "core" component of the on demand items whose behaviour is replicated and allows both the expected decrease in volume and the stickiness of the interest rates to be considered.

In the measurement of the risk, the current profit approach is used additionally and leads to the estimate of the impact of change in interest rates on net interest income, which represents a significant portion of bank revenue..

Regarding exposure to interest rate risk, reporting limits and actions at consolidated level were approved, defined in terms of equity value change at the end of the reporting period (static ALM) resulting from instantaneous movements of the yield curve.. To this end, both parallel shifts of fixed size (typically 200 basis points) and specific changes for each node of the interest-rate structure are considered, determined on the basis of major decreases and increases actually recorded in an observation period of 6 years (considering the 1st and 99th percentile of the distribution, respectively. Moreover, non-parallel shifts of the yield curve that are able to change its inclination (flattening, steepening and reversal of the interest rate structure) are also taken into consideration.

The Financial and Operational Risk Division, monitors on a monthly basis Creval's exposure to interest rate rusk and verifies compliance with the system of limits. Adequate information flows are provided on a regular basis and timely to corporate bodies and structures engaged in management and control functions.

The banking book also includes equity investments that are held as part of structured relations with specific companies. Therefore, the price risk management methods for such financial instruments tend more towards the management approach for investments in associates and companies subject to joint control, rather than the risk measurement techniques and instruments used for the trading book.

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Please, see paragraph internal methods and other sensitivity analysis methods below.

2. Banking Book - internal methods and other sensitivity analysis methods

The measurement of the exposure to interest rate risk is performed through an internal model that provides a full-valuation approach to all positions that are interest-bearing assets and liabilities as well as off-balance-sheet items. Specifically, the model comprises the following phases:

- Calculation of net present value of assets, liabilities and off-statement of financial position items and calculation of the previously translated as fair value;

- Definition of scenarios with regard to changes in the interest-rate curve (i.e., parallel translation or steepening, flattening or reversal of the curve with respect to deadlines deemed most relevant);
- Recalculation of the net present value of on and off-statement financial positions with the new interest-rate curve and calculation of the new economic value;
- Calculation of the variation in the economic value as the difference of the ante and post-shock value of the rates.

As mentioned in the section dedicated to “Qualitative information”, the proper representation in terms of risk and profitability of demand negotiations required their modelling to estimate both the persistence of aggregates and the actual index-linking level of interest rates. Customer loyalty gives on-sight items a much higher actual duration than contractual duration. Moreover, for these items, the extent and ways of redefining the interest rate depends, in addition to the market rate trend, also on the specific characteristics of each relation between the bank and the customer.

At year end, the changed duration calculated for all financial statements assets and liabilities as well as the duration gap were modest. Assuming that the rate structure makes a parallel shift upwards of 100 basis points, the economic value would decrease by EUR 36.3 million. In the event of an equal downward shift, using the floor provided by the EBA, which goes from -100 basis points for short-term maturities to 0 basis points for the 20-year node, there would be an increase of EUR 84.3 million.

With regard to income profiles, in the case of instantaneous and parallel shifts of the yield curve by +100 basis points, the change in net interest income generated by the banking book, over a time horizon of 12 months, would equal EUR +45.9 million, whereas it would equal EUR -18.6 million in the case of shifts of -100 basis points (using the floor provided by the EBA) These amounts express the effect of changes in the interest rates on the banking book, excluding changes in the composition and size of the financial statement items. As a result, these cannot be considered as an indicator in forecasting the expected level of the net interest income. However, under the assumptions indicated, changes in the net interest income would result in equal changes in total income and minor changes in profit.

1.2.3 - FOREIGN EXCHANGE RISK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of foreign exchange risk

Foreign exchange risk is the possibility that fluctuations in market exchange rates could lead to significant changes, both positive and negative, in the value of Creval ‘s equity.. The main sources of foreign exchange risk are mainly related to the operations of spot and forward customers and to the sale and purchase of securities.. The amounts of assets and liabilities in foreign currency are modest. Currency derivatives consist mainly of forward trading.

As regards management processes and measurement methods for foreign exchange risk in the trading book, please see that set forth in the paragraph “Interest rate risk and price risk - Supervisory trading book - Qualitative disclosures”.

All foreign currency positions generated by transactions with customers are managed together with the Finance Department of Credito Valtellinese through analysis of open gaps (non-offset positions). The monitoring of currency risk is based on defined limits in terms of maximum acceptable loss and risk, forward gap position and overall open gap position..

B. Foreign exchange risk hedging

As the reporting date there was no Foreign exchange risk hedging.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	USD	GBP	JPY	AUD	CHF	Other currencies
A. Financial Assets						
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	36	-	-	-	-	1
A.3 Loans to banks	-	193	1,924	10	5	1,041
A.4 Loans to customers	13,163	1,596	80	-	5,384	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**6,216**	**1,204**	**529**	**2,508**	**1,855**	**928**
C. Financial Liabilities						
C.1 Due to banks	2,663	217	2	-	169	170
C.2 Due to customers	51,032	3,390	2,531	2,570	7,962	2,183
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**126**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives						
+ long positions	30,857	134	79	-	138	563
+ short positions	30,375	137	78	-	194	656
Total assets	**50,272**	**3,127**	**2,612**	**2,518**	**7,382**	**2,533**
Total liabilities	**84,196**	**3,744**	**2,611**	**2,570**	**8,325**	**3,009**
Mismatch (+/-)	**-33,924**	**-617**	**1**	**-52**	**-943**	**-476**

Forward purchase and sale transactions of securities or currencies are reported in item "E. Financial derivatives".

2. Internal methods and other sensitivity analysis methods

As regards internal models for foreign exchange risk in the trading book, please see that set forth in the paragraph "Interest rate risk and price risk - Regulatory trading book - Quantitative disclosures".

1.3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 Derivative instruments held for trading

A. Financial Derivatives

A.1 Financial derivatives held for trading: closing notional values

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized	Over the counter			Organized
	Central counter parties	Without central			Central counter parties	Without central		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Option	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Option	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	**-**	**-**	**59,154**	**-**	**-**	**-**	**10,977**	**-**
a) Option	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	59,154	-	-	-	10,977	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Merci	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**59,154**	**-**	**-**	**-**	**10,977**	**-**

A.2 Financial derivatives held for hedging gross positive and negative fair value breakdown by product

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized	Over the counter			Organized
	Central counter parties	Without central			Central counter parties	Without central		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value positivo								
a) Options	-	-	-	-	-	-	2	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	418	-	-	-	176	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**418**	**-**	**-**	**-**	**178**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	379	-	-	-	80	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**379**	**-**	**-**	**-**	**80**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	29,322	-	29,833
- positive fair value	X	227	-	191
- negative fair value	X	158	-	221
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives held for trading: notional values

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial derivatives on foreign exchange rates and gold	59,154	-	-	59,154
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**59,154**	**-**	**-**	**59,154**
Total 31 Dec. 2020	**10,913**	**64**	**-**	**10,977**

B. Credit Derivatives

As at the reporting date, there were no credit derivatives.

1.3.2 Hedge accounting

QUALITATIVE DISCLOSURES

A. Fair value hedging

The hedging of interest rate risk aims to protect the banking book from fair value changes of assets caused by changes in the interest rate curve (fair value hedge); types of derivatives used are represented by Interest Rate Swaps (IRS) carried out with third parties.

The Financial and Operational Risk Division is responsible for verifying the effectiveness of the hedging of interest rate risk for the purpose of hedge accounting, in compliance with the IFRS.

It should be noted that, as specified in the Accounting Policies, Credito Valtellinese makes use of the possibility envisaged by IFRS 9 to continue to fully apply the provisions of the IAS 39 accounting standard on hedge accounting (opt-out).

At year-end, the banking book of Financial assets at amortised cost included only one hedging operation for Italian government bonds (BTPs) for a nominal amount of EUR 300 million and due in 2031 To this end, hedging derivatives (IRS with fixed exchange rate against 6-month Euribor plus a spread) were used. They were entered into together with the purchase of underlying securities. The hedging transaction is not affected by uncertainty arising from the reform of benchmark indexes for determining interest rates.

The effectiveness tests carried out on a monthly basis confirmed a very high effectiveness and, anyway, within the range required by the IFRS.

B. Cash flow hedging

No cash flow hedges are pending or were carried out.

C. Hedging of investments in foreign operations

No such transactions are pending or were carried out.

D. Hedging instruments

No factors that could potentially change the hedging relationship were recognised at the time of initial designation or subsequently emerged.

E. Hedged items

The hedge accounting of Credito Valtellinese is carried out through the specific fair value hedge (hedge accounting) of assets specifically identified (specific hedging) with the objective of hedging the variability of the relevant fair value component linked to changes in interest rates, excluding the residual component of the credit risk.

The effectiveness of the hedge is measured as follows:

- At the initial date, the hedged component is defined by identifying the fixed coupon of a theoretical security (inclusive of the base component between the target hedging rate, i.e. 6-month Euribor, and the risk free rate, represented by the Eonia rate) in such a way that it has, on the basis of the current rate curve, a fair value equal to the amortised cost of the hedged BTP on the effective date of the relevant hedging derivative;
- The following fair value changes of this theoretical security are calculated (after adjusting the new base component) by comparing the new value, on the basis of the rate curve existing on the date of analysis, with the amortised cost of the BTP existing on that date (or with the amortised cost on the effective date, if the reference date is before);
- These fair value changes are compared to the fair value changes recorded by the relevant hedging IRS, less (only for the purposes of the effectiveness test) the previous described component of reverse entry in the Income Statement (net interest income) of any upfront implicitly received at source.

QUANTITATIVE DISCLOSURES

A. Financial Derivatives held for hedging

A.1 Financial derivatives held for hedging: closing notional values

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized	Over the counter			Organized
	Counterparties central	Counterparties Without central			Counterparties central	Counterparties Without central		
		With netting arrangements	With out netting arrangement			With netting arrangements	With out netting arrangement	
1. Debt securities and interest rates	**-**	**-**	**300,000**	**-**	**-**	**-**	**300,000**	**-**
a) Option	-	-	-	-	-	-	-	-
b) Swaps	-	-	300,000	-	-	-	300,000	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Option	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Option	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Merci	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**300,000**	**-**	**-**	**-**	**300,000**	**-**

A.2 Financial derivatives held for hedging: gross positive and negative fair value - breakdown by product

Type of derivatives	Positive and negative fair value								Change in value used to calculate hedge ineffectiveness	
	Total 31 Dec. 2021				Total 31 Dec. 2020					
	Over the counter			Organized	Over the counter			Organized	Total 31 Dec. 2021	Total 31 Dec. 2020
	Counterparties central	Counterparties Without central			Counterparties central	Counterparties Without central				
		With netting arrangements	With out netting arrangement			With netting arrangements	With out netting arrangement			
1. Positive fair value positivo										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	126,409	-	-	-	159,057	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**126,409**	**-**	**-**	**-**	**159,057**	**-**	**-**	**-**

A.3 OTC financial derivatives held for hedging: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	300,000	-	-
- positive fair value	X	-	-	-
- negative fair value	X	126,409	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives held for hedging: notional values

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	300,000	300,000
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial derivatives on foreign exchange rates and gold	-	-	-	-
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**-**	**-**	**300,000**	**300,000**
Total 31 Dec. 2020	**-**	**-**	**300,000**	**300,000**

B. Credit derivatives held for hedging

As at the reporting date, there were no credit derivatives held for hedging.

C. Non-derivative hedging instruments

As at the reporting date, there were no non-derivatives hedging instruments.

D. Hedged items

As at the reporting date there were no hedged instruments to which hedge accounting rules apply in accordance with IFRS 9.

E. Effects of hedging through equity

As at the reporting date there were no hedging through equity.

1.3.3 OTHER INFORMATION ON DERIVATIVE INSTRUMENTS (HELD FOR TRADING AND FOR HEDGING)

A. Financial and credit derivatives

As at the reporting date there no financial derivatives that meet the criteria of IAS 32 - paragraph 42. As at the reporting date, there were no credit derivatives.

1.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk

The liquidity risk to which the banks are normally exposed due to the phenomenon of transformation of maturities is the risk that the banks will not be able to meet its payment commitments. The failure to meet its payment commitments may be due to the following inability to:

- Procure the funds (funding liquidity risk);
- Divest their assets (market liquidity risk).

The liquidity risk is generated by the misalignment, by amount and/or date, of incoming and outgoing cash flows generated by a bank's assets, liabilities and off-balance-sheet items The objectives to maintain balanced liquidity conditions are duly considered when carrying out strategic and operational planning as well as in identifying and developing new products. The exposure to risk is assumed through loans and deposits with customers, as part of the treasury and securities portfolio management functions or through non- recurring transactions, for example wholesale transactions or the purchase of equity investments. The exposure to liquidity risk profile can vary significantly also due to the behaviour of customers when particular maturities are set (e.g. self-taxation payments) or preferences (e.g. adjustment of the composition of the portfolio of assets held) are changed.

Liquidity management is aimed primarily at ensuring the solvency also in stressful or crisis conditions. Therefore, the actual assumption of risk is subordinate to maintaining the Bank's technical equilibrium. The opportunity cost associated with the holding of liquid assets is taken into account within the Bank's profitability valuations. The pursuit of a limited exposure to liquidity risk, as defined within the Risk Appetite Framework, is reflected in the composition of statement of financial position aggregates, characterised by a moderate transformation of maturities.

The approach adopted for risk management envisages integration of the cash flow matching approach (which tends to make expected cash inflows coincide with expected cash outflows for each time horizon) with the liquid assets approach (which requires the financial statements to include a set number of financial instruments that can be readily converted into cash) In order to face up to the possible occurrence of unexpected liquidity requirements and thus to mitigate the relevant risk exposure, the Group provides itself with adequate short- term cash reserves (liquidity buffer)

The liquidity risk management process mainly involves the structures engaged in financial management and oversee the strategic planning and management control processes.

The structure engaged in risk control, being independent of the structures engaged in liquidity "operational management, is involved in managing liquidity risk.

Liquidity Risk management, measurement and control

The exposure to risk occurs and is managed according to four different profiles compared to the considered time horizon:

- Intra-day liquidity that deals with the daily management of treasury balances and the settlement of transactions in the payment method;;
- Short-term liquidity that aims at optimising cash flows and balancing the liquidity requirements in a quarterly horizon;
- Forward-looking medium-term liquidity, concerning the implementation of the funding actions envisaged for the financial year or for 3-12 months following the end of the reporting period;
- Structural liquidity that forms part of planning and assumes an overall business strategy.

Each of them has different exposure profiles, methodology approaches, techniques, mitigation instruments, corrective actions.

As the considered time horizon increases, the levels of freedom of management increase: they cover structural and strategic actions (e.g. securitisations, operations on the capital, amendments to the Group structure, acquisitions and transfers, supervision/abandonment of market segments). On the other hand, in the very short term, the reaction to unexpected and sudden tensions is based on the use of existing cash reserves (liquidity buffer).

The threshold of tolerance to liquidity risk is understood as a maximum risk exposure considered sustainable within the "ordinary course of business" (going concern) supplemented by "stress scenarios" and is measured by using the techniques outlined below.

Intra-day risk exposure is assessed by identifying all relevant sources of risk (such as, for example, large flows, concentration per counterparty, time-specific obligations, differences between collections and payments) and the liquidity available on the management account and in terms of collateral.

Liquidity risk is assessed in the short and very short term as part of the treasury activity "Overall liquidity net balance" (sum between the "Cumulative net balance of positions due" and liquidity reserves), recognised over a period of three months and with reference to specific and different time ranges

With regard to the medium-term perspective, the planning prepared annually shows the potential liquidity requirements and the effects of the expected trend of the aggregates on the profile of operational and structural liquidity; the funding objectives for the planned year and activities consistent with the short-term requirements and with the preservation of the structural balance are defined.

Exposure to risk referring to the structural perspective is monitored in relation to all the time horizons of the maturity ladder in terms of unbalance between liabilities and assets of the same time horizon; the reference indicator is represented by the "Gap ratio" beyond one year. The model for dealing with sight items, which was developed for ALM analyses, is also used in the assessment of the exposure to risk.

The assessment of exposure to liquidity risk in all four of its temporal manifestations makes use of stress testing.. Stress tests consider both idiosyncratic adverse events (bank specific) and systemic adverse events (market wide) based on their importance for company operations in terms of liquidity and assess the possible impacts of their occurrence both individually (uni-factorial analysis) or jointly (multi-factorial analysis; combined scenarios)). Considering in particular the short-term profile, with the aim of capturing and highlighting different aspects of potential vulnerability, some basic tests are performed concerning:

- The profile of concentration of funding sources (tests with different levels of severity) and the outflow of wholesale deposits;
- The reduction in retail deposits;
- The increased use of irrevocable credit lines to large corporates;;
- The reduction of liquidity reserves due to the decrease in market values, the loss of eligibility requirements or the application of further haircuts.

The combined impact of the said tests on Creval's overall liquidity net balance is then analysed.

Limiting liquidity risk exposure, aimed at ensuring solvency, including in highly critical situations, is mainly pursued through a distinct set of organisational management decisions and safeguarding measures, the more significant being:

- Constant attention to the technical situations in terms of balanced structuring of asset and liability expiry dates, with special regard to short term maturities;
- The diversification of funding sources, in terms of technical form, counterparties and markets.
- The holding of assets readily convertible into cash to be used as guarantees for financing transactions or that can be sold directly in the event of stressful situations;
- The Contingency Funding and Recovery Plan.

The different organisational structures involved in the management of liquidity risk produce, in relation to their operational and monitoring activities, special reports for corporate bodies.

The Financial and Operational Risk Department monitors daily the exposure to liquidity risk on the basis of intra- day and short-term profiles, on a monthly basis compared to medium and structural dimensions, and verifies consistency with the risk appetite and compliance with the system of limits. Adequate information flows are provided on a regular and timely basis to corporate bodies and functions of management and control; any overrun of the risk exposure limits are promptly reported to the functions identified by internal regulations in accordance with the set procedures.

In the reporting period, the corporate processes, organizational structures, the strategic directions and methodological approaches concerning the management of liquidity risk underwent changes within the progressive integration of Creval in the Crédit Agricole Italia Group.

As at the reporting date, Creval held liquidity reserves mostly consisting of Italian Government bonds and other assets eligible for refinancing operations with the ECB (including loans that meet the eligibility requirements), deemed appropriate to its present and forward-looking needs. The Liquidity Coverage Ratio is well above the minimum regulatory requirement. As at 31 December 2021 the LCR was 274%; specifically, the liquidity buffer stood at Euro 8,828 million while net outflows assumed in the regulatory tress scenario amounted to Euro 3,218 million.

The main source of funding consisted of stable and diversified funding from retail customers. The use of long-term refinancing transactions with the Central Bank is also important..

Considering the present composition of Creval's funding, in order to assess concentration, the degree of dependence on a limited number of counterparties is analysed, in particular, whereas transactions in currencies other than the Euro and the concentration on special technical forms such as asset-backed securities are not material. Therefore,, the stock of on-demand and short-maturity liabilities to the major wholesale counterparties (institutional investors, large companies or groups, non-economic institutions) considered more sensitive to the market situation and to the real or perceived situation of the Bank.. The degree of concentration remains low.

From a structural perspective,, Creval carries out modest maturity transformation.

IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

Following the spread of the Covid-19 pandemic, monetary and tax authorities put in place strongly expansionary measures, which helped to contain the shock in the markets. As part of a comprehensive set of monetary policy measures, the ECB launched, in particular, interventions on its refinancing programmes in order to facilitate the granting of credit to the companies most affected by the emergency. Temporary measures were also approved to expand the availability of guarantees (thereby facilitating banks' access to financing and supporting credit to businesses and households) and to mitigate the impact of possible rating downgrades on collateral availability caused by the economic deterioration following the pandemic.

The interbank market continued to benefit from the extensive liquidity provided by the ECB through the measures decided to counter the economic and financial consequences of the health emergency.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/Time brackets	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**1.223.354**	**265.371**	**270.152**	**240.414**	**1.551.901**	**759.287**	**1.122.287**	**8.723.644**	**4.974.553**	**4.578.147**
A.1 Government securities	278	-	231	-	313.945	118.963	108.812	2.857.943	380.000	-
A.2 Other debt securities	508	-	-	43.214	909	9.977	52.784	655.671	256.167	-
A.3 Units of collective investment undertakings	7.338	-	-	-	-	-	1.825	68.675	39.395	-
A.4 Loans	1.215.230	265.371	269.921	197.200	1.237.047	630.347	958.866	5.141.355	4.298.991	4.578.147
- Banks	202.522	3.117	-	-	-	-	-	-	-	4.578.147
- Customers	1.012.708	262.254	269.921	197.200	1.237.047	630.347	958.866	5.141.355	4.298.991	-
On-balance-sheet liabilities	**16.301.822**	**5.542**	**22.636**	**76.824**	**107.238**	**193.929**	**1.522.216**	**4.599.841**	**324.518**	**-**
B.1 Deposits and current accounts	16.191.873	5.442	22.345	73.498	100.134	163.440	1.191.969	4.429.936	-	-
- banks	23.588	-	121	-	-	-	981.958	4.000.000	-	-
- customers	16.168.285	5.442	22.224	73.498	100.134	163.440	210.011	429.936	-	-
B.2 Debt securities	65.080	100	291	2.380	4.179	14.251	308.603	7.778	150.000	-
B.3 Other liabilities	44.869	-	-	946	2.925	16.238	21.644	162.127	174.518	-
Off-balance- sheet transactions	**-65.444**	**-30.505**	**31.351**	**31**	**7.225**	**9.643**	**43.736**	**19.750**	**3.607**	**-**
C.1 Financial derivatives with exchange of principal	-	6	-3	4	30	6	2	-	-	-
- long positions	-	4.060	4.666	8.929	26.904	13.334	4.936	-	-	-
- short positions	-	4.054	4.669	8.925	26.874	13.328	4.934	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	7.837	7.755	-	-	-
- long positions	-	-	-	-	-	9.000	9.000	-	-	-
- short positions	-	-	-	-	-	1.163	1.245	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-65.958	-30.511	31.354	5	7.113	1.735	35.693	19.291	3.451	-
- long positions	293.765	10	31.354	5	7.113	1.735	35.693	19.291	3.451	-
- short positions	359.723	30.521	-	-	-	-	-	-	-	-
C.5 Financial guarantees	514	-	-	22	82	65	286	459	156	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

The above table shows both Euro and foreign currency transactions in that the foreign currency component is not relevant. Forward purchase and sale transactions of securities or currencies are reported in item "Off-balance-sheet transactions".

1.5 OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of operational risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including juridical risk. It includes, inter alia, losses deriving from fraud, human error, interruption of operations, system break-down, contractual non-performance and natural disasters.

The wide variety of operational risks is not normally associated with banking operations. These risks may originate either internally or externally and their scope may extend beyond the corporate structure.

In order to ensure that the risk appetite defined by the Board of Director is complied with, Creval defined a system of operating limits for the various Event Types.

Operational risk management is part of an integrated management strategy that aims to contain overall risk also by preventing propagation and transformation of the risks.

Operational risk management is based on the following guidelines:

- To increase overall operating efficiency;
- To prevent the occurrence or reduce the likelihood of events that may potentially generate operational losses through appropriate regulatory, organisational, procedural and training measures;
- To mitigate the expected impact of said events;
- To transfer risk that the Bank does not intend to maintain through insurance agreements;
- To protect the reputation and brand of the Bank and of the Group.

The identification, assessment and monitoring of operational risks tend to carry out mitigation actions.

Finally, specific types of risks are transferred through a series of insurance policies offering a wide-ranging coverage on different types of potentially damaging events.

With respect to the organisational structures and management processes, the Risks and Control Department of Credito Valtellinese contributes to the definition of the risk management policy at Group level, develops the operational risk assessment process, supports the Governing Bodies in defining and carrying out the activities related to the observance of the prudential regulations and ensures accurate, complete and timely information.

In particular, the Operational and Reputational Risk Service deals with the development and management of the models concerning operational risks, supervises the systematic and structured loss data collection from various departments of the company, carries out the analyses required, assesses the operational risks on an adequate basis and can propose appropriate management measures and mitigation instruments.

The timely and accurate recognition of the events that may actually or potentially generate operating losses is carried out by a network of company contacts using a special application that enables to register and keep identifying information, damage estimates, accounting final data and the effects of mitigation through insurance instruments.

Risk exposure is assessed and measured, at a separate and consolidated level, with reference to a wide range of phenomena that can lead to operational losses.

The model for the assessment and measurement of operational risk is based on the combined use of:

- Internal operational loss data, collected by the network of company contacts;
- A periodic self-diagnostic process to assess the prospective exposure to operational risk (known as Risk Self- Assessment), in relation to certain events known as "scenarios", in terms of probability of occurrence and economic impact, as well as the conditions of the operating context, based on the business experts' opinion;
- Operational context factors and of the internal control system, called Key Risk Indicators, aimed at a forward-looking representation, which reflect the improvement or the worsening of the Bank risk profile in a timely manner, following any changes in the operational segments, human resources, technology and organisation, or the internal controls system;
- External data of operational loss, surveyed in the Italian Database of Operational Losses (DIPO), to which the Group belongs with the status of "total group member".

Thanks to the analyses, assessments and comparisons carried out, an overall assessment can be made by relevant operating segments of the level of exposure to operational risks, and any change in the reporting period can be understood.

Moreover, the carrying out of stress tests makes it possible to check the effects of the general increase of operational risk associated with the manifestation of widespread and significant operational losses.

The results of the assessment are used for management purposes to prevent and mitigate operational risks.

In order to ensure corporate bodies full knowledge and governance of the risk factors and make available to the persons in charge of the corporate functions the information pertaining to them, the Risks and Control Department produces and distributes at regular intervals (quarterly, half-yearly and yearly) information flows on operational risks that offer a full representation of the different operational risk profiles and of the mitigation measures implemented during the reporting period or that are expected to be implemented in the future.

The Risks and Control Department receives in its turn reporting flows, both from other control structures (Internal Audit and Compliance) and from other management departments (e.g. Operations, ICT, Human Resources, Legal, Physical and logical security), which supplement the knowledge of operational risk profiles and are used to monitor activities and projects for operational risk mitigation purposes.

The occurrence of any critical situation gives rise to corrective and mitigating actions, the effects of which are monitored and made known to the corporate bodies according to the ordinary reporting methods..

The disaster recovery plan laying down the technical and organisational measures to deal with events that result in the unavailability of data processing centres is part of problem management. The plan, designed to allow the operation of relevant computerised procedures in sites other than those of production, is an integral part of the Business continuity plan, controlled by the Security and Business Continuity Service..

Creval has adopted the standardised method (TSA) for calculating the capital requirement to meet operational risks).

In accordance with the supervisory regulations, a number of requirements shall be met in order to adopt the standardised method; specifically, the entity must have a properly documented system for managing and assessing operational risk, the various responsibilities must be clearly assigned; and this system must be subject to independent regular reviews carried out by an internal or external auditor having the appropriate the skill.

In this regard, a self-assessment is carried out as well as a specific series of audits by the internal audit department.

The self-assessment process, carried out annually by the Risks and Control Department, consists of a formalised set of procedures and activities aimed at assessing the quality of the operational risk management system, as well as its compliance over time with regulatory requirements, company operational requirements and the development of the target market.

The process develops along the applicable guidelines outlined in the Group policies concerning "The assessment of the risk management processes" and is based on the following profiles: governance; risk management policies; organisation of the risk management function; methods and instruments for identifying, measuring and managing risks; monitoring and reporting; prevention and mitigation of risks; management of critical issues.

These profiles also include the information and assessment elements concerning the components characterising the operational risk management system according to the supervisory regulations.. The assessment of each profile is complemented by the indication of areas and lines of improvement. An overall rating is then formulated on the basis of the profile assessments.

The assessment of the risk management system is complemented by the assessments related to the process of production of the supervisory reports, with a special reference to the calculation of the capital requirement to meet the operational risk and to the reporting of the operational losses recorded for the different business lines.

The results, verified by the internal audit department, are submitted on an annual basis to the Board of Directors, which resolves on the existence of the eligibility requirements for the adoption of the standardised approach.

Legal risks

A provision was made in the financial statements, appropriate and consistent with the international financial reporting standards compliant with the policy for calculating the provisions adopted by Creval, in order to mitigate any expenses that may result from the pending legal proceedings in which Creval is a party The amount of the provision is estimated on the basis of several assessment elements mainly concerning the estimate on the outcome of the case and, in particular, the likelihood of losing the case with the conviction of the Bank, and the elements of quantification of the amount that the Bank could be obliged to pay to the counterparty if it loses the case

The estimate on the outcome of the case (risk of losing in a lawsuit) considers, for each position, the legal aspects inferred in court, assessed in the light of the case law, actual evidences presented during the proceedings and the development of the proceedings, as well as, for subsequent encumbrances, the outcome of the first instance judgement, as well as past experience and any other useful element, including the opinions of experts, making it possible to take into proper account the expected unfolding of the dispute.

The amount due in case of an adverse outcome is expressed in absolute value and shows the estimated value based on the court findings, considering the amount requested by the counterparty, the technical estimate carried out internally based on the accounting records and/or presented during the trial and, in particular, the amount assessed by the court-appointed expert - if provided - as well as legal interests, calculated from the notification of the application initiating proceedings and any expense due for adverse outcome.

If it is not possible to obtain a reliable estimate (failure to quantify the claims for compensation by the claimant, presence of uncertainties of law and of facts that make any estimate unreliable), no provisions are made as long as it is impossible to foresee the outcome of the proceedings and reliably estimate the amount of any loss.

As at 31 December 2021, 1,726 lawsuits were pending in which Creval is the defendant, for a total amount claimed or Euro 150 million, against which a total loss of Euro 30 million is expected.

The provisions mainly refer to requests for restitution for compound interests and bankruptcy claw-backs, claims for compensation for losses accrued in investments in financial instruments and other cases of damages broken down as follows.

Type of cases	No. of cases	Relief sought (thousands of Euros)	Provision made (thousands of Euros)
Compound interest	178	22,141	7,138
Bankruptcy clawback	19	7,449	1,854
Investment services	21	4,505	1,637
Other	1,508	115,638	18,993
Total	**1,726**	**149,733**	**29,622**

Moreover, as at the reporting date 147 out-of-court claims were pending for which a total loss of approximately Euro 2.6 million was estimated.

The Bank pursues careful and considered settlement logic, based on an in-depth analysis of the actual grounds on which the actions are based, meaning the existence of both the subjective and objective elements.

Tax-related disputes

In 2021 there were no notices of assessment for material amounts.

With regard to past disputes and assessments, note that they were closed with final judgements, or alternative dispute resolution procedures, with marginal charges borne by Creval.

Creval's rights are defended by external counsels and advisors having appropriate expertise and experience pursuing the objective of having the Bank's rights upheld by the competent administrative authorities and courts.

Labour law disputes

As at 31 December 2021 there were 10 pending labour law disputes against the Bank.

As regards risk quantification, as at 31 December 2021, against the relief sought through the pending labour law disputes amounting to approximately Euro 1.4 million, provisions were made for risks and charges of approximately Euro 1 million.

The pending labour law disputes are outlined below:

Type of cases	No. of cases	Relief sought (thousands of Euros)	Provision made (thousands of Euros)
Dismissal challenging	4	237	322
Deskilling - higher qualification	3	489	217
Other	3	685	423
Grand total	**10**	**1,411**	**962**

Information and Communication Technology (ICT) Risk

ICT risk is the risk of incurring business, financial, reputational and market share losses in relation to the use of the Information and Communication Technology - ICT.

ICT risk analysis is a tool ensuring the efficiency and effectiveness of the measures deployed to protect the ICT resources.

In the light of the supervisory provisions on this matter, Creval designed and implemented the overall framework for managing ICT risk as well as the methods of risk analysis and assessment.

The process of ICT risk analysis is the responsibility of the Risk and Control Department but comprises the contributions given by several structures of the ICT, Operations & Services Area and of the Security Division and consists of the following phases:

- Determining the potential risk to which a business product/service or a process/service within the Group is exposed as a result of a potential occurrence of an ICT risk scenario. The potential risk is determined by combining the impact assessments expressed by the Users in charge on the business products/services or on the processes/services within the Group of direct concern, with the probability of occurrence of the threats applicable to IT services used for the supply of business products/services or process/services within the Group, in the absence of any kind of technical, procedural or organisational counter-measures.
- Determining the residual risk to which a business product/service or a process/service within the Group is exposed as a result of a potential occurrence of an ICT risk scenario, considering the state of implementation of existing controls on ICT services used for the supply of business products/services or process/services within Creval;

- Treating the residual risk in order to identify technical or organisational mitigation measures suitable for adopting alternative or further measures of risk limitation, submitted to the approval of the Management Body.

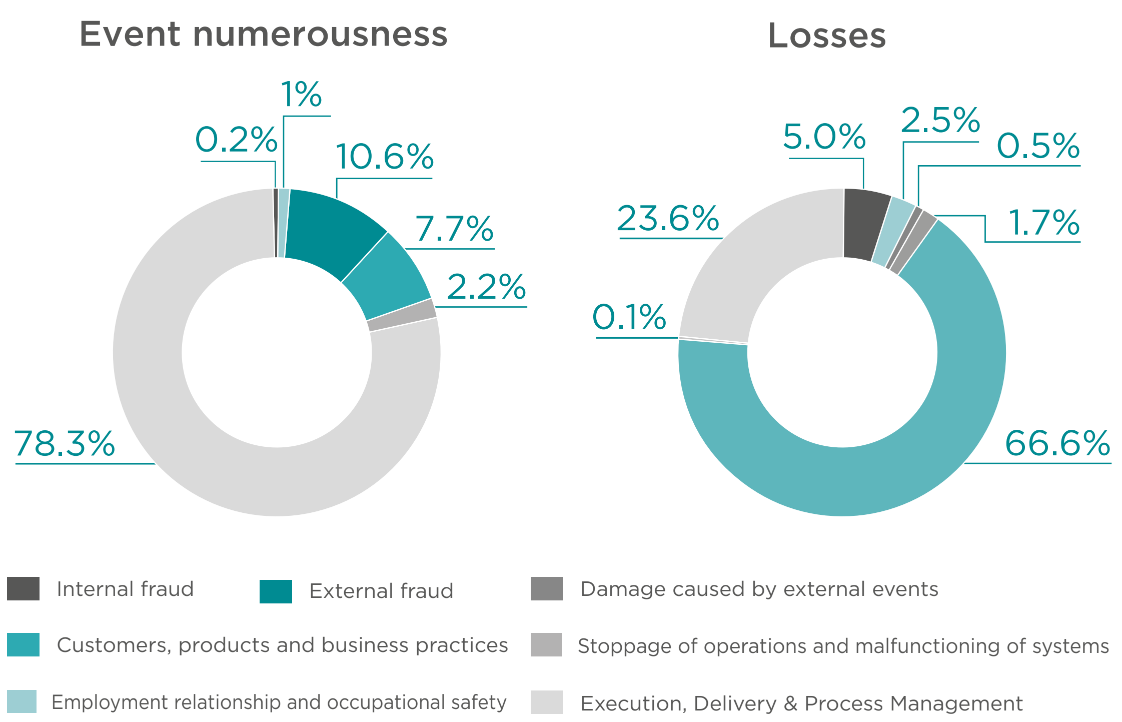
When assessing the risks on the components of the ICT system and already existing applications, Creval takes into account the data available concerning ICT security incidents occurred in the past.

The process of risk analysis is repeated annually and, in any case, in the presence of situations that can affect the overall ICT risk level.

QUANTITATIVE DISCLOSURES

The percentage breakdown of operational losses recognised in the internal database during the year is given below in terms of frequency and impact.

Operational losses - Breakdown by type of event



The events reported during the financial year are mainly attributable in terms of frequency to the following event types: "Execution, delivery and management of processes" (74.6%), "External fraud" (15.4%) and "customers, products and business practices" (6.9%).

In terms of percentage weight on losses, "Customers, products and business practices" accounted for 66.6%, "Execution, Delivery & Process Management" accounted for 23.6% and "Internal fraud" accounted for 5%; the other event types had lower weight on losses.

1.6 - OTHER RISKS

In addition to the above-described risks, the following other risks are also reported.

Risk of excessive leverage

The risk of excessive leverage is defined by the prudential regulations as "the risk that a particularly high level of debt compared to equity makes the Bank vulnerable, making it necessary to take corrective measures for its business plan, including the sale of assets with recognition of losses that could result in impairment losses also on the remaining assets".

The and management objective is the control of the risk by reducing the asset trend within the limits compatible with a long-term equilibrium, so as not to risk the stability of Creval.

The risk of excessive leverage concerns the entire financial statements, the exposures deriving from derivatives and from off-balance-sheet assets held by Creval and is taken when carrying on the core business. The degree of exposure to this risk is closely related to planning; t is mitigated through capital management and asset management actions in accordance with Creval's current strategic plan. Moreover, the possible increase in the risk related to the recognition of expected or realised losses that reduce the equity available is also considered

The measurement of the risk of excessive leverage is based on the regulatory parameter "leverage ratio"; since this amount does not include corrections/weightings for risk, it acts as a completion of the Pillar I capital requirements. Risk of excessive leverage This also contributes to limit the accumulation of the leverage at the system level The risk exposure is also assessed through other indicators that can recognise any imbalance between assets and liabilities..

The Risks and Control Department monitors on a quarterly basis the trend of the leverage ratio and the structural balance indicators. Regular reporting is provided to the corporate bodies.

In order to assess more accurately the exposure to risks and their trend in adverse conditions, their mitigation and control systems and the adequacy of capital and organisational methods, stress tests that consider, either separately or jointly, the decrease in own funds and the increase in exposures of different size are also carried out.

As at 31 December 2021, albeit having considerably decreased, the leverage ratio stood well above the minimum threshold given by the international standards.

Sovereign risk

The investment in Italian Government securities, mostly recognized as "Financial assets at amortised cost", involves the exposure to the credit risk of the Italian Republic that, as with any other issuer, may occur in the form of a decrease in creditworthiness or, in extreme cases, of insolvency. The investment in Spanish and Portuguese Government securities:, of a smaller size, generates an exposure to the credit risk of Spain and Portugal.

This exposure is monitored on a regular basis reported to the Corporate Bodies.

The outlook of the exposure to the sovereign risk profile is weighed considering adverse scenarios of varying intensity, also based on historical simulations, and their impact on the value of the portfolio..

As at the reporting date, the exposure was lower vs. the end of the previous FY In 2020 the spread of the Covid-19 epidemic caused a significant increase in the credit risk of the Italian Republic, which then gradually decreased also thanks to the monetary policy initiatives of the ECB and the extraordinary measures deployed by the European Union (Recovery Fund), which fostered the restart of the Italian economy.

The table below shows the carrying amount of the exposures to Government bonds, broken down by portfolio.

Government securities/Countries	Financial assets measured at fair value through profit and loss	Financial assets measured at fair value through other comprehensive income	Financi al assets measured at amortized cost	Total	HTCS reserve(*)
Italy	2	419,246	3,176,152	3,595,400	-1,147
Spain	-	-	296,267	296,267	-
Portugal	-	-	10,820	10,820	-
Total	**2**	**419,246**	**3,483,239**	**3,902,487**	**-1,147**

(*) Valuation reserve of financial assets measured at fair value through other comprehensive income net of tax effects.

The table does not include the securities of the Elrond and Aragorn securitisations, backed by GACS of EUR 660 million.

The table below provides information on the maturities of exposures in Government securities.

Portfolio	2022	2023	2024-2026	2027-2031	Oltre 2031	Total
Financial assets measured at fair value through profit or loss	-	1	-	1	-	2
Financial assets measured at fair value through other comprehensive income	164,504	9,797	158,956	85,989	-	419,246
Financial assets measured at amortized cost	306,961	706,334	2,044,545	425,399	-	3,483,239
Total	**471,465**	**716,132**	**2,203,501**	**511,389**	**-**	**3,902,487**

At 31 December 2021, securities issued by Governments were measured referring to prices inferred from markets (Level 1 fair value).

Additionally, loans to customers referring to central and local and central public administrations amounting to EUR 58 million were also recognised.

Reputational risk

It is the present or forward-looking risk of decrease in profits or capital subsequent to any negative perception of the Bank's image by customers, counterparties, shareholders, investors and supervisory authorities.

Reputation is an essential resource and is held by Creval as a distinctive element that is also the foundation of a long-lasting competitive advantage.

Reputational risk may arise from a wide range of factors, also outside the corporate structure and outside the work of Creval (e.g. from the dissemination of inaccurate or unsubstantiated information or from phenomena that concern the system and can involve all institutions without distinction).

In the reporting year, there were no elements that may have changed or may materially impact on the perception of the image of Creval in the short term with the various categories of stakeholders (customers, counterparties, shareholders, investors or supervisory authorities).

Risk towards associated persons

This is the risk that the proximity of certain persons to decision-making centres of the Bank might compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with regard to these subjects, with possible distortions in the allocation of resources, the Bank's exposure to risks not adequately measured or monitored, potential damage to depositors and shareholders.

In order to preserve decision-making objectivity and impartiality and avoid allocative distortions, Creval adopted strict procedures and limits more stringent than regulatory, regularly monitored.

In the financial year, the exposure remained essentially constant and is in full compliance with the limits set by the prudential regulations and by internal policies.

PART F – INFORMATION ON CONSOLIDATED EQUITY

Section 1 - Consolidated equity

A. QUALITATIVE DISCLOSURES

Equity is defined by the international financial reporting standards as “the residual interest in the assets of the entity after deducting all its liabilities”. In a financial logic, equity represents monetary value of the injections by the owners or generated by the company.

Equity management concerns all the policies and choices required for defining its size, as well as the optimal combination among different alternative instruments of capitalisation aimed at ensuring that the consolidated equity and capital ratios of Credito Valtellinese are on a consistent basis with the risk profile assumed in full compliance with the supervisory requirements.

At 31 December 2021, consolidated equity amounted to Euro 1,513 million vs. Euro 1,774 million at the end of December 2020. The main changes occurred in the reporting period resulted from the Euro 11.2 million decrease in valuation reserves, which was due mainly to the value change in profit (losses) on financial assets through other comprehensive income, from the distribution of dividends for Euro 16.1 million and to the loss for the period of Euro 234.6 million.

As at 31 December 2021Credito Valtellinese’s share capital fully subscribed and paid in stood at Euro 1,643,508,053and consisted of 70,149,694 ordinary shares. As at the reporting date, no treasury shares were held as they had been sold in the period.

B. QUANTITATIVE DISCLOSURES

B.1 Consolidated book equity: breakdown by type of undertaking

Equity items	Prudential consolidation	Insurance undertakings	Other companies	Netting and adjustments on consolidation	Total
1 Capital	1,643,512	-	10	-	1,643,522
2. Share premium reserve	-	-	-	-	-
3. Reserves	107,756	-	-	-	107,756
4. Equity instruments	-	-	-	-	-
5. (Treasury Shares)	-	-	-	-	-
6. Valuation reserves	-3,652	-	-	-	-3,652
- Equity securities designated at fair value through other comprehensive income	-6,129	-	-	-	-6,129
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	727	-	-	-	727
- Property, plant and equipment	11,687	-	-	-	11,687
- Non-current assets held for sale	-51	-	-	-	-51
- Actuarial gains (losses) on defined-benefit pension plans	-9,859	-	-	-	-9,859
- Share of valuation reserves on equity investments measured using the equity method	-27	-	-	-	-27
7. Profit (loss) for the year (+/-) - attributable to Parent and Minority Interests	-234,646	-	-	-	-234,646
Total	**1,512,970**	**-**	**10**	**-**	**1,512,980**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	Prudential consolidation		Insurance undertakings	
	Positiver eserve	Negative reserve	Positiver eserve	Negative reserve
1. Debt securities	727	-	-	-
2. Equity securities	-	-6,129	-	-
3. Loans	-	-	-	-
Total as at 31 Dec. 2021	**727**	**-6,129**	**-**	**-**
Total as at 31 Dec. 2020	**6,275**	**-441**	**-**	**-**

Assets/Values	Other companies		Eliminations and adjustments from consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-	727	-
2. Equity securities	-	-	-	-	-	-6.129
3. Loans	-	-	-	-	-	-
Total as at 31 Dec. 2021	**-**	**-**	**-**	**-**	**727**	**-6.129**
Total as at 31 Dec. 2020	**-**	**-**	**-**	**-**	**6.275**	**-441**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1 Opening balance	**6,127**	**-293**	**-**
2. Increases	**2,100**	**204**	**-**
2.1 Fair value gains	-	204	-
2.2 Adjustments for credit risk	-	X	-
2.3 Reclassification to profit or loss of negative reserves from disposal	2,100	X	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**-7,500**	**-6,040**	**-**
3.1 Fair value losses	-7,420	-5,836	-
3.2 Recoveries for credit risk	-80	-	-
3.3 Reclassification to profit or loss of positive reserves from disposal	-	X	-
3.4 Transfers to other equity components (equity securities)	-	-204	-
3.5 Other changes	-	-	-
4. Closing Balance	**727**	**-6,129**	**-**

B.4 Valuation reserves relating to defined-benefit plans: annual changes

Valuation reserves related to actuarial gains (losses) on defined benefit plans amounted to Euro -9,859 thousand vs. Euro -10,198 thousand as at the end of 2020, due to the change of measurement in the period.

Section 2 – Own Funds and supervisory requirements for Banks

Reference is made to the information on own funds and capital adequacy contained in the “Basel 3 Third Pillar” disclosure to the public.

PART G – BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

In 2021 no business combinations were made.

PART H – TRANSACTIONS WITH RELATED PARTIES

The closeness of some persons to a company's decision-making centers may compromise the objectivity and impartiality of its decisions, with possible distortions in the allocation of resources, as well as expose the company to risks and damages to itself and to its stakeholders.

This is the matter addressed by CONSOB with its Regulations containing provisions relating to transactions with related parties (adopted by CONSOB with Resolution no. 17221 of 12 March 2010, laying down specific measures for Italian companies listed in Italian regulated markets or in regulated markets of other EU Member States and whose shares are publicly held to a considerable extent, in order to ensure transparency and substantial and procedural fairness of transactions with related parties carried out directly or through subsidiaries.

The regulation issued by the Bank of Italy on 12 December 2011, on risk assets and conflicts of interest with associated persons falls within the scope of the framework regulation concerning related parties (Article 2391- bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders".

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Italia approved the Document "Regulation for Risk Assets and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal normative instrument on this matter and to harmonize the various regulations in force; the Document was then updated on 29 July 2014.

On 25 July 2018, the Board of Directors of Crédit Agricole Italia approved the adoption of the new "Regulation on transactions with Associated Persons", which was then adopted by the other Banks and Companies of the Banking Group.

Afterwards, with resolution no. 21624 of 10 December 2020 CONSOB amended the Regulation on Transactions with Related Parties as issued with its previous resolution no. 17221 of 12 March 2010. As said amendments entered into force on 1 July 2021, the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Group had to be aligned with them; the Regulation on Transactions with Associated Persons defines and formalizes, in a single normative instrument, the procedures that the Banks and the Companies of the Crédit Agricole Italia Banking Group apply to transactions with associated persons, in compliance with the relevant instructions and rules issued by CONSOB and by the Bank of Italy. Credito Valtellinese approved the aforementioned Regulation.

In addition to identifying the related parties and the associated persons of the Crédit Agricole Italia Banking Group, the Regulation on transactions with Associated Persons lays down prudential limits to risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required activities are carried out by different corporate roles and structures, in different capacities and in the different phases of the process, in order to ensure constant compliance with the prudential limits and resolution-making procedures as provided for by the applicable legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests that may result from transactions with associated parties.

Related parties

in accordance with the aforementioned Consob Regulation, a related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity). Specifically:

(a) A person or close member of that person's family is related to a reporting entity if that person:
- Has control or joint control over the reporting entity,
- Has significant influence over the reporting entity; or
- Is a member of the key management personnel of the reporting entity, i.e. the Bank and the supervised intermediary of the Banking Group, or of a parent of the reporting entity;

(b) An entity is related to a reporting entity if any of the following conditions applies:
- The entity and the reporting entity are members of the Crédit Agricole Group;
- The entity is an associate or joint venture of the Bank and/or of the supervised intermediary (or an associate or joint venture of a member of the Crédit Agricole Group);
- Both entities are a joint venture of the same third party;
- It is a joint venture of a third entity that is an associate of bank and of the supervised intermediary;
- It is a post-employment defined benefit plan for the benefit of employees of either the bank and/or supervised intermediary or of an entity that is related to them;
- It is controlled or jointly controlled by a person identified in (a);
- A person identified in (a) that has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In the definition of related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture.

In accordance with the Bank of Italy Provisions:

(c) Corporate Officer;

(d) Shareholder/Investor;

(e) The person, other than a shareholder/investor, that can appoint, on his/her/its own, one or more members of the Board of Directors, also based on any agreements in whatsoever form or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;

(f) A company or an enterprise, also set up in a legal form other than that of a company, on which an entity of the Group can exercise control or significant influence;

Connected Persons

Persons connected to a related party are defined as follows:

- Companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party among those set forth at letters a), b), d) and e) of the definition of related party, as well as companies or enterprises, also set up in a legal form other than that of a company, on which one of the related parties as per letter a) of the definition (i.e. Corporate Officer) can exercise significant influence;
- Persons exercising control on a related party among those listed at letters d) and e) of the relevant definition, as well as entities that are directly or indirectly subject to joint control with the same related party;
- Close family members of one of the related parties set forth in letters c), d), e), and f) of the relevant definition and the companies or enterprises, also set in a legal form other than that of a company, that are controlled, subject to joint control or significant influence by such related party.

Associated Persons

Associated persons are defined as the set consisting of a related party and of all the persons connected to the same. The banks and supervised intermediaries of the Crédit Agricole Group have the same perimeter of Associated Persons, which is determined by the Parent Company.

1. Information on remuneration of managers vested with strategic responsibilities

In the light of the above-mentioned Regulation, "Managers vested with strategic responsibilities" or "Key management personnel" includes individuals having direct and indirect power and responsibility over the planning, management and control of the operations of the Bank, including Directors and the members of control bodies.

The remuneration of Creval's Directors and Members of the Board of Auditors is determined with special resolutions by the General Meeting of Shareholders, while the remuneration of employees in the key staff perimeter is governed by the mechanisms laid down in the "remuneration policies" which are adopted by the General Meeting of Shareholders every year.

The table below reports the amounts of the main benefits awarded to Directors, Auditors and managers vested with strategic responsibilities.

	31 Dec. 2021
Short-term benefits:	4,779
Benefits subsequent to severance from employment	127
Other long-term benefits	-
Employee severance benefits	-
Share-based payments	598

2. Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation.

Transactions with related parties	Controlling company	Entities exercising significant influence	Associates	Entity under joint control	Managers and control bodies	Other related parties	% weight on the financial statement item
BALANCE SHEET ITEMS							
20. Financial assets measured at fair value through profit or loss	-	-	-	-	-	227	0,2%
40. Financial assets measured at amortized cost	32,905	2,055	41,289	-	1,139	400,327	2,1%
130. Other assets	37	13	3	-	-	54	0,1%
TOTAL ASSETS	**32,942**	**2,068**	**41,292**	**-**	**1,139**	**400,608**	
10. Financial liabilities measured at amortized cost	121	1,359	5,611	39	5,688	25,459	0,2%
20. Financial liabilities held for trading	-	-	-	-	-	158	41,7%
80. Other liabilities	618	-	-	-	-	-	0,2%
TOTAL LIABILITIES	**739**	**1,359**	**5,611**	**39**	**5,688**	**25,617**	
Guarantees given	-	-	583	-	-	10,293	1,8%
Commitments to disburse funds	-	-	137	-	598	21,365	0,5%
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**	**720**	**-**	**598**	**31,658**	

Financial assets measured at amortized cost towards associates include non-performing loans for a gross exposure of Euro 9.9 million (net exposure of Euro 5,2 million).

Transactions with related parties	Controlling company	Entities exercising significant influence	Associates	Entity under joint control	Managers and control bodies	Other related parties	% weight on the financial statement item
INCOME STATEMENT ITEMS							
Net interest income	9	26	778	-	2	647	0,4%
Net fee and commission income	2	39	31	-	5	25,898	10,7%
Net profit (loss) on trading activities	-	-	-	-	-	192	13,4%
Profit (Loss) on disposal or repurchase	-	142	-	-	-	-	N.s.
Administrative expenses	(731)	13	(5)	-	(3,013)	(1,376)	1,1%
Other operating expenses/income	-	-	67	-	-	147	0,5%
INCOME STATEMENT TOTAL	**(720)**	**220**	**871**	**-**	**(3,006)**	**25,508**	

It is specified that column “Other related parties” includes the transactions with the subsidiaries and associates of Crédit Agricole S.A..

PART I - SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

Having regard to FY 2021, the share capital increase by the French Parent Company Crédit Agricole S.A., in favour of all Employees of the Crédit Agricole. Group was completed in December with the allotment of shares to Employees. The Employees were given the opportunities to invest in shares of Crédit Agricole S.A. with a 20% discount vs. market value. The shares will be tied for the following five years (until 31 May 2026), at the end of which time each employee may freely dispose of them.

Furthermore, for Credito Valtellinese, the incentive systems MBO 2018, 2019 and 2020 were in force as at the reporting date, as was the LTI 2019-2021 system, for which payment will be made in Phantom Shares of the Parent Company Crédit Agricole S.A.

QUANTITATIVE DISCLOSURES

In 2021, the aforementioned share capital increase entailed a cost equal to the discount applied to the shares subscribed, which had – as a balancing item in accordance with IFRS 2 – an identical increase in equity through a specific reserve amounting to Euro 45 thousand.

PART L – SEGMENT REPORTING

OPERATIONS AND PROFITABILITY BY BUSINESS SEGMENT

Segment reporting under FRS 8 Operating Segments. The income statement data of the previous period were reclassified for consistency with the reporting period.

	31 Dec. 2021				
	Retail Bnkg	Corporate Bnkg	Finance and Treasury/ ALM	Equity Investments and other	Total
Net interest income	167,836	136,192	27,392	-	331,420
Net fee and commission income	192,021	51,319	(820)	2	242,522
Dividends	-	-	-	1,187	1,187
Financial income (loss)	-	-	16,114	(38,257)	(22,143)
Other operating income (expenses)	399	1,381	(13)	179	1,946
Net operating income	**360,256**	**188,892**	**42,673**	**(36,889)**	**554,932**
Personnel and administrative expenses and depreciation and amortization	(284,592)	(128,322)	(6,714)	(28,488)	(448,116)
Operating margin	**75,664**	**60,570**	**35,959**	**(65,377)**	**106,816**
Net provisioning for risks and charges	(18,673)	(3,592)	-	(68,023)	(90,288)
Impairment of financial assets	(99,106)	(312,627)	(4,010)	(85,554)	(501,297)
Total Cost of Risk	**(117,779)**	**(316,219)**	**(4,010)**	**(153,577)**	**(591,585)**
Profit (loss) on other investments	-	-	-	(97,522)	(97,522)
Profit (loss) before tax from continuing operations	**(42,115)**	**(255,649)**	**31,949**	**(316,476)**	**(582,291)**
Taxes on income from continuing operations	25,144	152,630	(19,075)	188,946	347,645
Profit (Loss) for the period	**(16,971)**	**(103,019)**	**12,874**	**(127,530)**	**(234,646)**
Direct funding	12,676,928	4,532,875	785,630	-	17,995,433
Indirect funding	10,425,775	787,433	-	-	11,213,208
Loans to Customers	6,868,572	6,271,276	-	-	13,139,848
Financial assets	-	-	4,906,688	179,385	5,086,073
Personnel	2,070	768	14	603	3,455

	31 Dec. 2020				
	Retail Bnkg	Corporate Bnkg	Finance and Treasury/ ALM	Equity Investments and other	Total
Net interest income	151,094	153,371	35,109	611	340,185
Net fee and commission income	171,439	59,259	(524)	684	230,858
Dividends	-	-	-	761	761
Financial income (loss)	-	-	27,769	(6,915)	20,854
Other operating income (expenses)	830	839	(7)	7,197	8,859
Net operating income	**323,363**	**213,469**	**62,347**	**2,338**	**601,517**
Personnel and administrative expenses and depreciation and amortization	(255,182)	(121,066)	(6,109)	(24,096)	(406,453)
Operating margin	**68,181**	**92,403**	**56,238**	**(21,758)**	**195,064**
Net provisioning for risks and charges	1,879	370	-	(3,800)	(1,551)
Impairment of financial assets	(39,528)	(48,094)	1,369	(35,620)	(121,873)
Total Cost of Risk	**(37,649)**	**(47,724)**	**1,369**	**(39,420)**	**(123,424)**
Profit (loss) on other investments	-	-	-	32,428	32,428
Profit (loss) before tax from continuing operations	**30,532**	**44,679**	**57,607**	**(28,750)**	**104,068**
Taxes on income from continuing operations	2,796	3,917	5,052	(2,640)	9,125
Profit (Loss) for the period	**33,328**	**48,596**	**62,659**	**(31,390)**	**113,193**
Direct funding	12,293,398	3,912,919	1,526,752	-	17,733,069
Indirect funding	9,768,701	672,021	-	-	10,440,722
Loans to Customers	6,949,842	7,568,375	456,288	-	14,974,505
Financial assets	-	-	5,535,812	270,479	5,806,291
Personnel	2,082	811	14	614	3,521

Commercial Banking segment

The Commercial Banking segment (in its Retail and Corporate components) is the core business since it includes all the lending, investment and transfer products and services.

In 2021, the Retail component generated net operating income of Euro 360.3 million, while the Corporate component generated net operating income of EUR 188.9 million.

Direct funding from the Commercial Banking segment amounted to Euro 17,210 million (of which Euro 12,677 million relating to the Retail component). . As at the end of 2021, Commercial Banking loans amounted to Euro 13,140 million

As at the end of 2021, the Commercial Banking segment accounted for 2,838 human resources and for 355 branches.

Finance, Treasury and ALM segment

The Finance, Treasury and ALM segment: generates its revenue from the management of interbank, loans and institutional funding as well as funding in securities, Credito Valtellinese's securities portfolio and liquidity risk management;

In 2021 this segment generate net operating income of Euro 42.7 million.

Financial assets, consisting of Credito Valtellinese's securities portfolio, amounted to Euro.907 million.

Equity investments and other segment

This segment includes Credito Valtellinese's equity investments and other assets not classified in the above segments. This segment also includes adjustments and provisions not directly related to the Commercial Banking operations.

In 2021 this segment generated an operating loss of Euro 36.9 million.

PART M – DISCLOSURE OF LEASES

Section 1 – Lessee

QUALITATIVE INFORMATION

IFRS 16 applies to all leases (or agreements containing a lease) that grant the lessee the right to control the use of an identified asset for a specified period of time in exchange for a consideration. The concept of control refers to all those assets that are identifiable (either explicitly or implicitly) within an agreement for which the lessee has the right to control the assets, or to obtain substantially all economic benefits from the use of the assets and to decide on their use.

The following categories fall into this case: a) properties: b) cars and c) other types, which include rental contracts of IT equipment and data centers. In general terms, property lease agreements mainly refer to buildings intended for use as bank offices or branches and normally have a term of more than 12 months and provide for renewal and/or purchase options; car leases, refer to the car fleet and typically have a multi- year term without the exercise of renewal and/or purchase options; rental contracts of IT equipment have a multi-year term and provide for renewal and/or purchase options, while lease agreements for data centers provide for renewal options only.

Software rental contracts are excluded from the scope of application of IFRS 16 and that continue to be accounted for in accordance with the provisions of IAS 38 . Lease agreements with a lease term less than or equal to 12 months (i.e. short term) as well as agreements whose replacement value of the underlying asset is less than or equal to Euro 5,000 (i.e. low value assets) were also excluded.

Lease term

The Standard requires the lessee to determine the lease term by reference to the non-cancellable term of the lease, plus a) the periods covered by an option to extend the lease, if the lessee has reasonable certainty of exercising the option; and b) the periods covered by the termination option, if the lessee has reasonable certainty of not exercising the option.

The lease term has been defined as a non-cancellable period to which the periods covered by a renewal option or the periods covered by a termination option are added on the basis of the reasonable certainty of exercising these options. Specifically: i) if the agreement is in the period that cannot be modified, and there is no evidence to assume the exercise of a termination option, the lease term is identified at the end of the first renewal option (if provided for by contract) on the basis of the reasonable certainty of exercising it; ii) where the agreement is already in a renewal period and there is no evidence to suggest that a termination option is being exercised, the lease term will be identified at the end of the existing renewal option or at the end of the subsequent renewal option on the basis of the reasonable certainty of exercising it; iii) in the event of formalised notice of termination of the agreement, or reasonable certainty that the agreement termination option will be exercised, the lease term will coincide with the effective date of the actual termination.

QUANTITATIVE DISCLOSURES

Please refer to Part B - Assets for information on rights of use acquired through leases, Part B - Liabilities for information on lease liabilities, Part C for information on interest expenses on lease liabilities and other charges related to rights of use acquired through leases.

Section 2 – Lessor

QUALITATIVE INFORMATION

As at the reporting date, Credito Valtellinese had both finance lease and operating lease contracts in force. With regard to finance lease contracts, Credito Valtellinese no longer proposes the signing of new finance lease contracts following the decision to place exclusively third-party products.

QUANTITATIVE DISCLOSURES

1. Balance Sheet and Income Statement information

Please refer to Part B - Assets for information on lease financing and assets leased out under operating lease and Part C for information on interest income on lease loans and on other income from finance and operating leases.

2. Finance Leases

2.1 Classification by time bands of payments to be received and reconciliation with lease loans recognized under assets

Time bands	Lease payments to be received as at 31 Dec. 2021	Lease payments to be received as at 31 Dec. 2020
Up to 1 year	39,827	51,895
From over 1 year to 2 years	32,080	38,379
From over 2 year to 3 years	29,093	35,067
From over 3 year to 4 years	26,342	32,378
From over 4 year to 5 years	26,973	28,392
From over 5 years	126,746	152,386
Total lease payments to be received	**281,061**	**338,497**
RECONCILIATION WITH LOANS		
Unearned financial income (-)	-22,759	-22,134
Unguaranteed residual value (-)	-	-
Loans for leases	**258,302**	**316,363**

The lease contracts mainly consist of property leasing agreements and have the following characteristics:

- All the risks and rewards related to ownership of the goods are transferred to the lessee;
- During the useful life of the contract, the lessee will make regular payments that may vary in accordance with indexing clauses;
- Upon expiry/termination of the contract, the lessee will have the option to purchase ownership of the goods governed by the contract at a price less than the fair value at the date that the option could be exercised, so it is reasonably certain that the option will be exercised.

Since legal ownership of the goods is held by the lessor for the entire duration of the contract, the goods themselves represent the implicit guarantee securing the exposure to the lessee.

3. Operating leases

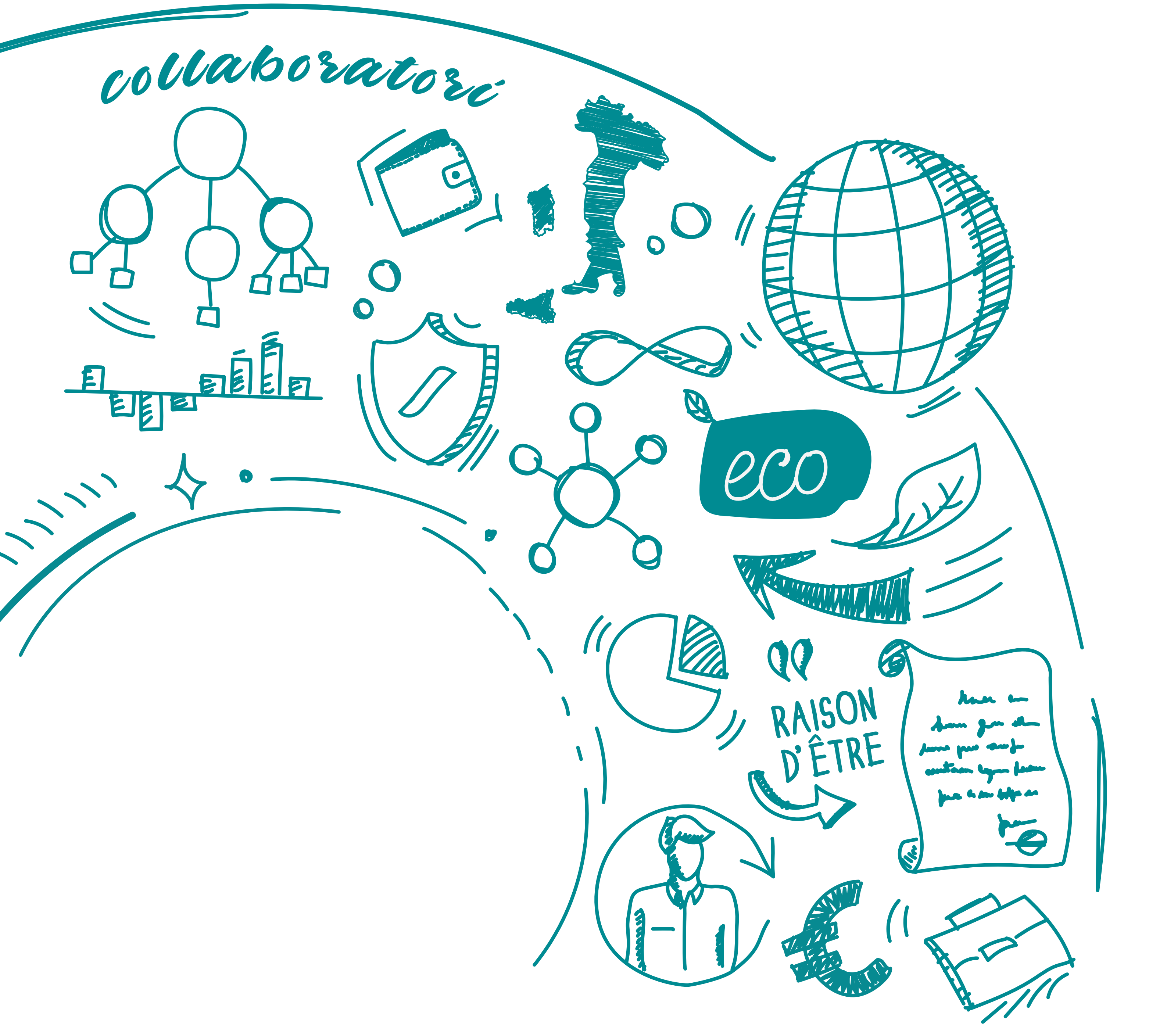
3.1 Classification of payments to be received by time band

Time bands	Lease payments to be received as at 31 Dec. 2021	Lease payments to be received as at 31 Dec. 2020
Up to 1 year	2,422	3,251
From over 1 year to 2 years	2,404	3,100
From over 2 year to 3 years	2,393	3,080
From over 3 year to 4 years	2,347	3,020
From over 4 year to 5 years	2,202	2,957
From over 5 years	8,097	15,186
Total	**19,865**	**30,594**

Operating leases mainly refer to lease rentals on properties.

Crédit Agricole - Credito Valtellinese

REPORT AND FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2021



KEY FIGURES

Income Statement highlights(°) (thousands of Euro)	2021	2020	2019
Net operating income	550,877	594,497	632,047
Operating margin	107,209	192,672	197,946
Profit (Loss) for the period	(231,185)	109,329	59,233

Balance Sheet highlights(°) (thousands of Euro)	2021	2020	2019
Loans to Customers	17,604,906	19,701,845	19,600,859
Of which Securities measured at amortized cost	4,219,056	4,661,562	5,038,585
Funding from Customers	17,920,067	17,733,991	18,755,824
Indirect funding from Customers	11,213,208	10,440,722	10,365,993

Operating structure	2021	2020	2019
Number of employees	3,433	3,495	3,606
Average number of employees	3,231	3,309	3,435
Number of branches	355	355	362

Profitability, efficiency and credit quality ratios	2021	2020	2019
Profitability, efficiency and credit quality ratios	2021	2020	65,4%
Cost(*)/income ratio	68.3%	62.9%	3,7%
Net income (loss) for the period/Average equity (ROE)(a)	-14.2%	6.4%	3,7%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	7.9%	5.7%	9.1%
Net non-performing exposures/Net loans to customers (net NPE ratio)	4.0%	3.1%	4.6%
Total Impairments of non-performing loans/Gross non-performing loans	51.8%	48.3%	52.2%

Capital and liquidity ratios	2021	2020	2019
Common Equity Tier 1 ratio	17.5%	24.5%	20.6%
Tier 1 ratio	17.5%	24.5%	20.6%
Total capital ratio	19.7%	26.5%	22.6%

(*) This ratio was calculated excluding the ordinary and extraordinary contributions to the Banking System, the costs incurred to handle the Covid-19 health emergency and the costs incurred to provision for the voluntary redundancy scheme within the Next Generation Plan.

FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE MEASURES

Income Statement highlights(°) (thousands of Euro)	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net interest income	330,228	337,314	-7,086	-2.1
Net fee and commission income	240,045	228,568	11,477	5.0
Dividends	2,394	1,945	449	23.1
Financial income (loss)	(22,156)	21,004	-43,160	N.s.
Other operating income (expenses)	366	5,666	-5,300	-93.5
Net operating income	550,877	594,497	-43,620	-7.3
Operating expenses	(443,668)	(401,825)	41,843	10.4
Operating margin	107,209	192,672	-85,463	-44.4
Cost of Risk(a)	(582,927)	(124,105)	458,822	N.s.
O/w net adjustments to loans	*(488,617)*	*(121,124)*	*367,493*	*N.s.*
Profit (Loss) for the period	(231,185)	109,329	-340,514	N.s.

Balance Sheet highlights(°) (thousands of Euros)	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Loans to customers	17,604,906	19,701,845	-2,096,939	-10.6
Of which Securities measured at amortized cost	*4,219,056*	*4,661,562*	*-442,506*	*-9.5*
Net financial assets/liabilities at fair value	118,982	188,583	-69,601	-36.9
Financial assets measured at fair value through other comprehensive income	650,289	855,452	-205,163	-24.0
Equity investments	16,652	59,793	-43,141	-72.2
Property, plant and equipment and intangible assets	370,728	501,726	-130,998	-26.1
Total net assets	20,483,627	22,404,644	-1,921,017	-8.6
Funding from Customers	17,920,067	17,733,991	186,076	1.0
Indirect funding from Customers	11,213,208	10,440,722	772,486	7.4
of which: asset management	8,625,131	7,816,279	808,852	10.3
Net due to banks	175,027	2,090,731	-1,915,704	-91.6
Equity	1,494,269	1,752,265	-257,996	-14.7

Operating structure	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Number of employees	3,433	3,495	-62	-1.8
Average number of employees(§)	3,231	3,309	-78	-2.4
Number of branches	355	355	-	-

(°) The income statement and balance sheet data are those restated in the reclassified financial statements.
(a) The cost of risk includes provisions for risks and charges, net adjustments to loans and net adjustments to securities.
(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time personnel is conventionally weighted at 50%.

Structure ratios(°)	31 Dec. 2021	31 Dec. 2020
Loans to Customers/Total net assets	65.3%	67.1%
Direct funding from Customers/Total net assets	87.5%	79.2%
Asset under management/Indirect funding from Customers	76.9%	74.9%
Loans to Customers/Direct funding from Customers	74.7%	84.8%
Total assets/Equity	16.9	13.6

Profitability ratios(°)	31 Dec. 2021	31 Dec. 2020
Net interest income/Net operating income	59.9%	56.7%
Net fee and commission income/Net operating income	43.6%	38.4%
Cost(*)/income ratio	68.3%	62.9%
Net income/Average equity (ROE)[a]	-14.2%	6.4%
Net income/Average Tangible Equity (ROTE)[a]	-14.3%	6.5%
Net income/Total assets (ROA)	-1.1%	0.5%
Net income/Risk weighted assets	-3.2%	1.4%

Risk ratios(°)	31 Dec. 2021	31 Dec. 2020
Gross bad loans/Gross loans to customers	1.0%	1.8%
Net bad loans/Net loans to customers	0.2%	0.7%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	7.9%	5.7%
Net non-performing exposures/Net loans to customers (net NPE ratio)	4.0%	3.1%
Net adjustments to loans/Net loans to Customers	0.68%	0.76%
Cost of risk[b]/Operating margin	54.3%	64.4%
Net bad loans/Total Capital[c]	1.8%	5.2%
Total adjustments to non-performing loans/Gross non-performing loans	51.8%	48.3%
Total adjustments to performing loans/Gross performing loans	0.6%	0.4%

Capital and liquidity ratios	31 Dec. 2021	31 Dec. 2020
Common Equity Tier 1[d]/Risk-weighted assets (CET 1 ratio)	17.5%	24.5%
Tier 1[e]/Risk-weighted assets (Tier 1 ratio)	17.5%	24.5%
Total Capital [c]/Risk-weighted assets (Total capital ratio)	19.7%	26.5%
Risk-weighted assets (Euro thousands)	7,185,973	8,037,729
Liquidity Coverage Ratio (LCR)	274%	238%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements.
(*) This ratio was calculated excluding the ordinary and extraordinary contributions to the Banking System, the costs incurred to handle the Covid-19 health emergency and the costs incurred to provision for the voluntary redundancy scheme within the Next Generation Plan.
(a) The ratio of net earnings to the equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisions for risks and charges, net adjustments to loans and net adjustments to securities.
(c) Total Capital: total own funds.
(d) Common Equity Tier 1: Common Equity Tier 1
(e) Tier 1: Tier 1 Capital.

MANAGEMENT REPORT

PERFORMANCE OF OPERATIONS

The performance of balance sheet and income statement aggregates is represented below using synthetic layouts reclassified in accordance with reporting approaches that were deemed more effective to represent performance of operations. The aggregations and reclassifications made vs. the items of the Layouts laid down in Bank of Italy Circular no. 262/05 as updated are set out in the reconciliation tables.

The reclassified layouts were restated vs. the previous FY consistently with the representation approaches adopted by the Crédit Agricole Italia Group.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

In order to provide a more direct representation of the Company's equity and financial position, a summary balance sheet was prepared by suitably grouping balance-sheet items. These grouping concerned:

- Presentation of Financial Assets/Liabilities at fair value on a net basis;
- Presentation of Due from/Due to banks on a net basis;
- Inclusion of the value of "Hedging Derivatives" and of "Fair value change of financial assets/liabilities in macro-hedge portfolios" in the "Other Assets/Other Liabilities" items;
- Grouping of "Property, Plant and Equipment and Intangible Assets" into a single aggregate;
- Inclusion of the item "Cash and cash equivalents" in the "Other Assets" residual item;
- Grouping in the "Funding from customers" item of the "Due to customers" and "Debt securities issued" items;
- Grouping of "Specific-purpose provisions" (i.e. employee severance benefits and provisions for risks and charges) into a single aggregate.
- Immunization of Loans to Customers and Due to Customers against the IFRS 16 components.

The figures reported in the next pages are expressed in thousands of Euros.

Reclassified Balance Sheet

Assets	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net financial Assets/Liabilities at fair value	118,982	188,583	-69,601	-36.9
Financial assets measured at fair value through other comprehensive income	650,289	855,452	-205,163	-24.0
Loans to Customers	17,604,906	19,701,845	-2,096,939	-10.6
Equity investments	16,652	59,793	-43,141	-72.2
Property, plant and equipment and intangible assets	370,728	501,726	-130,998	-26.1
Tax assets	1,078,990	755,973	323,017	42.7
Other assets	643,080	341,272	301,808	88.4
Total assets	**20,483,627**	**22,404,644**	**-1,921,017**	**-8.6**

Liabilities	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net due to banks	175,027	2,090,731	-1,915,704	-91.6
Funding from Customers	17,920,067	17,733,991	186,076	1.0
Tax liabilities	6,362	628	5,734	N.s.
Other liabilities	635,212	681,365	-46,153	-6.8
Specific-purpose provisions	252,690	145,664	107,026	73.5
Capital	1,643,508	1,643,508	-	-
Reserves (net of treasury shares)	85,521	-7,924	93,445	N.s.
Valuation reserves	-3,575	7,352	-10,927	N.s.
Profit (Loss) for the period	-231,185	109,329	-340,514	N.s.
Total equity and net liabilities	**20,483,627**	**22,404,644**	**-1,921,017**	**-8.6**

Reconciliation of the official and reclassified balance sheets

Assets	31 Dec. 2021	31 Dec. 2020
Net financial assets/liabilities at fair value	**118,982**	**188,583**
20 a. Financial assets held for trading	423	676
20 c. Financial assets mandatorily measured at fair value	118,938	187,987
20. Financial liabilities held for trading	-379	-80
Financial assets measured at fair value through other comprehensive income	**650,289**	**855,452**
30. Financial assets measured at fair value through other comprehensive income	650,289	855,452
Loans to Customers	**17,604,906**	**19,701,845**
40 b. Loans to and receivables from Customers	17,612,486	19,714,069
To deduct: Sublease loans	-7,580	-12,224
Equity investments	**16,652**	**59,793**
70. Equity investments	16,652	59,793
Property, plant and equipment and intangible assets	**370,728**	**501,726**
80. Property, Plant and Equipment	368,971	483,627
90. Intangible assets	1,757	18,099
Tax assets	**1,078,990**	**755,973**
100. Tax assets	1,078,990	755,973
Other assets	**643,080**	**341,272**
10. Cash and cash equivalents	217,085	196,278
120. Other assets	140,858	121,041
110. Non-current assets held for sale and discontinued operations	277,557	11,730
40 b. Loans to Customers: o/w sublease loans	7,580	12,223
Total net assets	**20,483,627**	**22,404,644**

Liabilities	31 Dec. 2021	31 Dec. 2020
Net due to banks	**175,027**	**2,090,731**
40 a. Due from banks	-4,799,339	-1,449,261
10 a. Due to banks	4,974,366	3,539,992
Funding from Customers	**17,920,067**	**17,733,991**
10 b Due to Customers	17,502,957	17,222,520
To deduct: Lease liabilities	-121,404	-142,342
10 c. Debt securities issued	538,514	653,813
Tax liabilities	**6,362**	**628**
60. Tax liabilities	6,362	628
Other liabilities	**635,212**	**681,365**
10 b. Due to customers: of which lease liabilities	121,404	142,342
40. Hedging derivatives (Liabilities)	126,409	159,057
70. Liabilities associated with non-current assets held for sale and discontinued operations	6,746	-
80. Other liabilities	380,653	379,966
Specific-purpose provisions	**252,690**	**145,664**
90. Employee severance benefits	37,099	38,260
100. Provisions for risks and charges	215,591	107,404
Capital	**1,643,508**	**1,643,508**
160. Capital	1,643,508	1,643,508
Reserves (net of treasury shares)	**85,521**	**-7,924**
140. Reserves	85,521	-7,824
170. Treasury shares (+/-)	-	-100
Valuation reserves	**-3,575**	**7,352**
110. Valuation reserves	-3,575	7,352
Profit (Loss) for the period	**-231,185**	**109,329**
180. Profit (Loss) for the period	-231,185	109,329
Total equity and net liabilities	**20,483,627**	**22,404,644**

Loans to Customers

Net loans to customers, excluding debt securities (Euro 4.2 billion), came to Euro 13.4 billion vs. Euro 15 billion as at 31 December 2020. Repurchase agreements, regarding loans with Cassa Compensazione e garanzia (the only authorized central counterparty in Italy) were terminated causing loans to decrease by Euro 417 million vs. December 2020.

Current accounts also decreased (-43.2%) as did mortgage loans (-6.7%). The decrease mainly concerned the corporate banking segment, especially some big tickets. If loans consisting of debt securities (mostly Government securities) are included in the aggregate, total net loans came to Euro 17.6 billion vs. Euro 19.7 billion at the end of 2020.

Consistently with the business model structured based on business lines and with the industrial logics of the Group led by Crédit Agricole S.A., in 2022 Creval service model is going to be reorganized and rationalised transferring the factoring activities, carried out by Creval Più Factor, to the Group's entity operating in the specific line of business. Loans within leasing transactions have been reclassified under Discontinuing operations.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Current accounts	1,044,303	1,838,035	-793,732	-43.2
- Mortgage loans	9,857,305	10,564,394	-707,089	-6.7
- Advances and credit facilities	1,921,925	1,735,189	186,736	10.8
- Repurchase agreements	-	417,010	-417,010	N.s.
- Non-performing loans	562,317	485,655	76,662	15.8
Loans to Customers	**13,385,850**	**15,040,283**	**-1,654,433**	**-11.0**
Securities measured at amortized cost	4,219,056	4,661,562	-442,506	-9.5
Total loans to Customers	**17,604,906**	**19,701,845**	**-2,096,939**	**-10.6**

Credit quality

I Net non-performing loans, excluding loans classified under discontinuing operations, came to Euro 562.3million, increasing by 15.8% vs. 31 December 2020. Gross non-performing loans came to about Euro 1,166 million vs. Euro 939.3 million as at the end of 2020, with the increase resulting also from the adoption of new loan classification policies consistent with the Parent Company's approach. Since 1 January 2021, the new definition of default has been adopted in the Bank's lending and reporting processes, in accordance with Delegated Regulation (EU) no. 529/2014 and Delegated Regulation (EU) no. 294/2015, as well as in accordance with Part 2, chapter 4, Section II of Bank of Italy Circular 285 of 17 December 2013.

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Specifically, net bad loans came to Euro 25.2 million vs. Euro 110.4 as at the end of 2020, decreasing thanks also to the disposal of the Stelvio Portfolio; net Unlikely to Pay came to Euro 525.8 million vs. Euro 354.7 million as at the end of 2020, increasing also because of the new Group policy; net past due positions came to Euro 11.3 million vs. Euro 20.6 million as at the end of 2020.

Items	31 Dec. 2021			31 Dec. 2020		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	142,516	-117,311	25,205	295,292	-184,933	110,359
- Unlikely to Pay	1,010,204	-484,440	525,764	621,101	-266,449	354,652
- Non-performing/past due exposures	13,283	-1,935	11,348	22,929	-2,285	20,644
Non-performing loans	**1,166,003**	**-603,686**	**562,317**	**939,322**	**-453,667**	**485,655**
- Performing loans - stage 2	864,224	-38,088	826,136	1,038,114	-42,160	995,954
- Performing loans - stage 1	12,776,486	-43,272	12,733,214	14,460,595	-22,979	14,437,616
Performing loans and non-government securities	**13,640,710**	**-81,360**	**13,559,350**	**15,498,709**	**-65,139**	**15,433,570**
Loans to Customers	**14,806,713**	**-685,046**	**14,121,667**	**16,438,031**	**-518,806**	**15,919,225**
Government securities at amortized cost	3,487,455	-4,216	3,483,239	3,783,042	-422	3,782,620
Total Loans to Customers	**18,294,168**	**-689,262**	**17,604,906**	**20,221,073**	**-519,228**	**19,701,845**

Furthermore, the adoption of the new policy generated an increase in the coverage ratios of the non-performing and performing loans portfolios.

Specifically, the coverage ratio of bad loans hit 82.3%, the coverage ratio of Unlikely to Pay hit 48% and the coverage ratio of past due positions hit 14.6%. Therefore, the coverage ratio of non-performing loans hit 51.8% increasing vs. 48.3% as at 31 December 2020, due to the change in the bases of measurement to align them with the ones used by the Parent Company and to the adoption of the new NPE Policy.

The coverage ratio of performing loans to customers (excluding government securities) came to 0.6%.

Items	31 Dec. 2021			31 Dec. 2020		
	Gross/total exposure	Net/total exposure	Cover age ratio	Gross/total exposure	Net/total exposure	Cover age ratio
- Bad loans	0.8%	0.1%	82.3%	1.5%	0.6%	62.6%
- Unlikely to Pay	5.5%	3.0%	48.0%	3.1%	1.8%	42.9%
- Non-performing/past due exposures	0.1%	0.1%	14.6%	0.1%	0.1%	10.0%
Non-performing loans	**6.4%**	**3.2%**	**51.8%**	**4.7%**	**2.5%**	**48.3%**
- Performing loans - stage 2	4.7%	4.7%	4.4%	5.1%	5.1%	4.1%
- Performing loans - stage 1	69.8%	72.3%	0.3%	71.5%	73.2%	0.2%
Performing loans and non-government securities	**74.5%**	**77.0%**	**0.6%**	**76.6%**	**78.3%**	**0.4%**
Loans to Customers	**80.9%**	**80.2%**	**4.6%**	**81.3%**	**80.8%**	**3.2%**
Government securities at amortized cost	19.1%	19.8%	0.1%	18.7%	19.2%	0.0%
Total Loans to Customers	**100.0%**	**100.0%**	**3.8%**	**100.0%**	**100.0%**	**2.6%**

Funding from Customers

Direct funding came to Euro 17.9 billion vs. Euro 17.7 billion as at 31 December 2020 (+1%).

Deposits decreased (-36%) with that decrease partially offset by the 11% increase in current accounts. Repurchase agreements, regarding funding with Cassa Compensazione e garanzia (the only authorized central counterparty in Italy) were terminated causing a decrease of Euro 319 million vs. December 2020.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Deposits	1,004,624	1,569,625	-565,001	-36.0
- Current and other accounts	16,108,357	14,505,744	1,602,613	11.0
- Other items	268,572	685,515	-416,943	-60.8
- Repurchase agreements	-	319,294	-319,294	N.s.
Due to Customers	**17,381,553**	**17,080,178**	**301,375**	**1.8**
Debt securities issued	**538,514**	**653,813**	**-115,299**	**-17.6**
Total direct funding	**17,920,067**	**17,733,991**	**186,076**	**1.0**
Indirect funding	**11,213,208**	**10,440,722**	**772,486**	**7.4**
Total funding	**29,133,275**	**28,174,713**	**958,562**	**3.4**

Indirect funding

Indirect funding came to Euro 11.2 billion, increasing by 7.4% vs. 31 December 2020 (i.e. Euro 10.4 billion).

The assets under management component grew from Euro 7.8 billion as at the end of 2020 to Euro 8.6 billion (up by +10.3%), benefiting also from the activities undertaken after joining the new Group. Assets under administration slightly decreased (down by -1.4%) coming to Euro 2.6 billion as at 31 December 2021.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Asset management products	5,018,153	4,597,137	421,016	9.2
- Insurance products	3,606,978	3,219,142	387,836	12.0
Total assets under management	**8,625,131**	**7,816,279**	**808,852**	**10.3**
Assets under administration	**2,588,077**	**2,624,443**	**-36,366**	**-1.4**
Indirect funding	**11,213,208**	**10,440,722**	**772,486**	**7.4**

Net Interbank Position

As at 31 December 2021, the Bank's net interbank position showed debt amounting to Euro 175 million and reports Due to Central Banks for TLTRO loans amounting to Euro 5 billion (increasing by Euro 1.5 billion vs. 31 December 2020 following the Bank's participation in a new operation in March 2021).

The Bank continues to enjoy a robust liquidity position, with ECB-eligible free assets amounting to Euro 4.3 billion and the LCR and NSFR well above 200% and 100% respectively.

Financial assets and liabilities measured at fair value

Financial assets measured at fair value, net of liabilities and hedging derivatives, came to Euro 642.9 million, down by 27.3% vs. 31 December 2020 (Euro 885 million). Specifically, financial assets for Euro 650.3 million were measured at fair value through other comprehensive income (FVTOCI) and financial assets for Euro 119 million were measured at fair value through profit or loss (FVTPL). In the aggregate, government securities account for Euro 419.2 million, decreasing by 32.3% vs. the end of 2020. The reserve of Italian Government securities measured at FVTOCI (net of the tax effect) was negative by Euro 1.1 million. Exposure to sovereign credit risk is represented in Part E of the Notes to the Financial Statements (Section Other Risks).

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	1,708	2,972	-1,264	-42.5
- Equity securities and units of collective investment undertakings	117,235	185,513	-68,278	-36.8
- Derivative financial instruments with positive FV	418	178	240	N.s.
Total assets	**119,361**	**188,663**	**-69,302**	**-36.7**
- Derivative financial instruments with negative FV	-379	-80	299	N.s.
Total liabilities	**-379**	**-80**	**299**	**N.s.**
Net Total	**118,982**	**188,583**	**-69,601**	**-36.9**
Financial assets measured at fair value through other comprehensive income				
- Debt securities	613,016	790,945	-177,929	-22,5
- Equity securities	37,273	64,507	-27,234	-42,2
Total	**650,289**	**855,452**	**-205,163**	**N.s.**
Hedging derivatives	**-126,409**	**-159,057**	**32,648**	**-20.5**
Financial assets and liabilities measured at fair value	**642,862**	**884,978**	**-205,163**	**-27.3**

As regards fair value measurement, please see Part A of the Notes to the Financial Statements.

Government securities held

	31 Dec. 2021		
	Nomin al value	Book value	Valuation reserve
Financial assets held for trading	**1**	**2**	
Italian Government securities	1	2	X
Financial assets through other comprehensive income	**402,942**	**419,246**	**-1,147**
Italian Government securities	402,942	419,246	-1,147
Financial assets measured at amortized cost	**3,298,500**	**3,483,239**	
Italian Government securities	3,010,500	3,176,152	X
Spanish Government securities:	278,000	296,267	X
Portuguese Government securities	10,000	10,820	X
Total	**3,701,443**	**3,902,487**	**1,147**

The government securities held consisted of Italian government securities, amounted to Euro 3.9 billion and were mainly recognized as Financial assets measured at amortized cost.

Equity investments

This item reports the equity investments held by Credito Valtellinese S.p.A. in subsidiaries. Joint arrangements and entities subject to significant influence.

The total value of equity investments held as at 31 December 2021 was of Euro 16.7 million vs. Euro 59.8 million in the previous FY, decreasing by Euro 43.1 million subsequent to the reclassification under Discontinuing operations of the equity investment in Creval PiùFactor S.p.A. for Euro 35 million and to the impairment of the equity investment held in Stelline Real Estate S.p.A. in accordance with the outcomes of its impairment test.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- Subsidiaries	11	44,084	-44,073	N.s.
- Joint arrangements	265	265	-	-
- Investees subject to significant influence	16,376	15,444	932	6.0
Total	**16,652**	**59,793**	**-43,141**	**-72.2**

Property, plant and equipment and intangible assets

Operating assets came to Euro 369 million, vs. Euro 484 million in 2020.

The decrease resulted mainly from depreciation and from the adoption of the different bases to measurement used by the Parent Company to determine the value of non-operating property, operating property and rights of use. The adopted measurement approach was also set based on the new plan for property use.

Owned property, plant and equipment assets are broken down below.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Operating assets				
Land	32,310	43,617	-11,307	-25.9
Buildings	138,649	182,176	-43,527	-23.9
Furniture	26,515	27,348	-833	-3.0
Electronic equipment	1,885	5,125	-3,240	-63.2
Other	1,043	2,108	-1,065	-50.5
Total operating assets	**200,402**	**260,374**	**-59,972**	**-23.0**
Investment property				
Land	8,680	12,434	-3,754	-30.2
Buildings	54,006	79,836	-25,830	-32.4
Total investment property	**62,686**	**92,270**	**-29,584**	**-32.1**
Grand total – Owned	**263,088**	**352,644**	**-89,556**	**-25.4**

For properties, the corporate procedures provided for regular appraisals made by independent experts. An annex to the financial statements contains the statement of revaluations of owned property presented under Article 10 of Italian Law 72/1983.

The rights of use acquired through leases in the IFRS 16 scope of application are broken down below.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Operating assets				
Land	-	-	-	-
Buildings	96,055	119,049	-22,994	-19.3
Furniture	-	-	-	-
Electronic equipment	681	4,550	-3,869	-85.0
Other	956	1,512	-556	-36.8
Total operating assets	**97,692**	**125,111**	**-27,419**	**-21.9**
Investment property				
Land	-	-	-	-
Buildings	8,192	5,871	2,321	39.5
Total investment property	**8,192**	**5,871**	**2,321**	**39.5**
Total -rights of use acquired through leases	**105,884**	**130,982**	**-25,098**	**-19.2**

As at 31 December 2021, i n the separate financial statements intangible assets were recognized for Euro 1.8 million consisting of software developed in-house or purchased in the market vs. Euro 18.1 million as at the end of 2020, resulting from the revision of their useful life subsequent to the integration into the information systems into the Crédit Agricole Group to be finalized by the end of April 2022.

Specific-purpose provisions

As at 31 December 2021, specific-purpose provisions (which include personnel expenses, provisions for legal disputes and compensation risks) came to Euro 252.7 million, increasing vs. Euro 145.7 million as at the end of 2020. The increase resulted from the adoption of different methods to estimate possible expenses for pending litigation or amounts to be refunded within the disposal of non-performing loans made in previous FYs, along with the recognition of contingent expenses for early termination of multi-year agreements for product distribution and service provision. Furthermore, the provision associated with the 2021 Next Generation plan was also recognized, consistently with the agreements signed with the trade unions in October and December.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Employee severance benefits	**37,099**	**38,260**	**-1,161**	**-3.0**
Provisions for risks and charges	**215,591**	**107,404**	**108,187**	**N.s.**
a) commitments and guarantees given	25,074	13,292	11,782	88.6
b) post-employment and similar obligations	1,784	1,840	-56	-3.0
c) other provisions for risks and charges	188,733	92,272	96,461	N.s.
Total specific-purpose provisions	**252,690**	**145,664**	**107,026**	**73.5**

Equity

Equity came to Euro 1,5 billion, decreasing by approximately Euro 258 million vs. 31 December 2020 resulting from the loss for the period of Euro 231.2 million, the decrease in valuation reserves of Euro 11.2 million mainly due to the change in profits (losses) on financial assets through other comprehensive income, the distribution of dividends for a total amount of Euro 16.1 million.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Share capital	1,643,508	1,643,508	-	-
Reserves	85,521	-7,824	93,345	N.s.
Reserve for valuation of financial assets through other comprehensive income	-5,403	5,834	-11,237	N.s.
Valuation reserves for property, plant and equipment - works of art	11,687	11,687	-	-
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-9,859	-10,169	-310	-3.0
Treasury shares	-	-100	-100	N.s.
Profit (Loss) for the period	-231,185	109,329	-340,514	N.s.
Total (book) equity	**1,494,269**	**1,752,265**	**-257,996**	**-14.7**

Own Funds

As at 31 December 2021, the Bank's CET1, calculated on an individual basis and Phased-in, stood at Euro 1,261 million with risk-weighted assets (RWA) amounting to Euro 7,186 million. Total own funds stood at Euro 1,415 million..

The capital ratios applying the transitional regime stood at the values given below:
- CET1 ratio at 17.5% (24.5% as at 31 December 2020);
- Tier1 ratio at 17.5% (24.5% as at 31 December 2020);
- Total capital ratio at 19.7% (26.5% as at 31 December 2020).

As at 31 December 2021 the fully loaded CET1 ratio came to 13.5%, (20% as at the end of 2020).

The capital ratios report the effects of the changes introduced by CRR2 and the AVA calculation with the advanced approach.

Categories/Values	31 Dec. 2021	31 Dec. 2020
Common Equity Tier 1 (CET1)	1,260,703	1,969,864
Tier 1 Capital (Tier 1)	1,260,703	1,969,864
Total own funds	1,414,956	2,132,309
Credit and counterparty risks	495,456	561,488
Risk of value adjustments to loans	3,437	848
Settlement risk	-	-
Market risk	2	98
Operational risk	75,983	80,585
Other measurement elements	-	-
Total prudential requirements	**574,878**	**643,019**
Risk-weighted assets	**7,185,973**	**8,037,729**
Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)	**17.5%**	**24.5%**
Tier 1/Risk-weighted assets (Tier 1 capital ratio)	**17.5%**	**24.5%**
Total own funds/risk-weighted assets (Total capital ratio)	**19.7%**	**26.5%**

PROFIT OR LOSS

Income Statement reclassification

In order to represent profit or loss performance more effectively, a summary income statement has been prepared through appropriate reclassifications and in accordance with more suitable bases of presentation to report the various items on the basis of consistent operational standards.

The reclassifications made are given below:

- Net Profit (Loss) on trading activities, Net Profit (Loss) on hedging activities and Net Profit (Loss) on financial assets and liabilities measured at fair value through profit or loss have been reported under Financial Income (Loss);
- Gains and losses on disposal or repurchase of securities classified as financial assets measured at amortized cost and measured at fair value through other comprehensive income and of financial liabilities have been reported under Profit (Loss) from banking activities;
- Expenses, taxes and levies recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- "Expenses for the management of non-performing loans and related recoveries" have been reclassified as "Net Adjustments to Loans" rather than being reported under Administrative expenses and Other operating income/expenses items;
- "Commission income for fast loan application processing" has been taken to "Net fee and commission Income" rather than being recognized under "Other operating income/expenses";
- Net provisions for risks and charges regarding commitments and guarantees given have been reclassified under "Net adjustments to loans".
- Net value adjustments for credit risk of securities classified as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income have been restated under the "Net adjustments to loans" item.
- Net impairment adjustments of property, plant and equipment and intangible assets have been reported under item Profit (Loss) on other investments, rather than under item Depreciation and Amortization, except for impairment of foreclosed properties, which has been recognized under item Net adjustments of loans;
- Amortization of expenses for leasehold property renovation was recognized under item Other income, rather than under item Depreciation and Amortization;
- The measurement of financial instruments to be mandatorily measured at fair value was taken to the "Net value adjustments of loans" item rather than to the "Gains (losses) on banking activities" item.

Reclassified income statement

	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Net interest income	330,228	337,314	-7,086	-2.1
Net fee and commission income	240,045	228,568	11,477	5.0
Dividends	2,394	1,945	449	23.1
Financial income (loss)	(22,156)	21,004	-43,160	N.s.
Other operating income (expenses)	366	5,666	-5,300	-93.5
Net operating income	**550,877**	**594,497**	**-43,620**	**-7.3**
Personnel expenses	(285,694)	(242,661)	43,033	17.7
Administrative expenses	(116,020)	(116,951)	-931	-0.8
Depreciation and amortization	(41,954)	(42,213)	-259	-0.6
Operating expenses	**(443,668)**	**(401,825)**	**41,843**	**10.4**
Operating margin	**107,209**	**192,672**	**-85,463**	**-44.4**
Net provisioning for risks and charges	(90,292)	(4,541)	85,751	N.s.
Net adjustments of loans	(488,617)	(121,124)	367,493	N.s.
Impairment of securities	(4,018)	1,560	-5,578	N.s.
Profit (loss) on other investments	(99,653)	30,922	-130,575	N.s.
Profit (loss) before tax from continuing operations	**(575,371)**	**99,489**	**-674,860**	**N.s.**
Taxes on income from continuing operations	344,186	9,840	334,346	N.s.
Profit (Loss) for the period	**(231,185)**	**109,329**	**-340,514**	**N.s.**

Reconciliation between the Official and the Reclassified Income Statements

	31 Dec. 2021	31 Dec. 2020
Net interest income	**330,228**	**337,314**
30. Net interest income	330,228	337,314
Net fee and commission income	**240,045**	**228,568**
60. Net fee and commission income	239,805	228,126
200. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	240	442
Dividends and similar income = item 70	**2,394**	**1,945**
Financial income (loss)	**(22,156)**	**21,004**
80. Net profit (loss) on trading activities	1,423	2,458
90. Net profit (loss) on hedging activities	79	(170)
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	14,700	24,384
100. Profit (loss) on disposal or repurchase of:: b) financial assets measured at fair value through other comprehensive income	(102)	1,247
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(52,156)	(7,894)
To deduct: b) other financial assets mandatorily measured at fair value of which measurement of financial instruments	13,900	979
Other operating income (expenses)	**366**	**5,666**
200. Other operating expenses/income	45,038	51,933
Leasehold property renovation amortization	(486)	(398)
To deduct: expenses recovered	(42,298)	(43,157)
To deduct: recovered expenses for the management of non-performing loans	(1,648)	(2,270)
To deduct: Commission income from Fast Loan Application Processing	(240)	(442)
Net operating income	**550,877**	**594,497**
Personnel expenses = item 160 a)	**(285,694)**	**(242,661)**
Administrative expenses	**(116,020)**	**(116,951)**
160. Administrative expenses: b) other administrative expenses	(164,213)	(167,950)
To deduct: expenses for the management of non-performing loans	5,895	7,842
200. Other operating expenses/income: of which expenses recovered	42,298	43,157
Depreciation and amortization	**(41,954)**	**(42,213)**
180. Net impairment losses/recoveries on property, plant and equipment	(116,770)	(35,454)
190. Net adjustments of//recoveries on intangible assets	(19,547)	(8,520)
To deduct: Leasehold property renovation amortization	486	398
To deduct: impairment of property, plant and equipment and intangible assets	93,877	1,363
Operating expenses	**(443,668)**	**(401,825)**
Operating margin	**107,209**	**192,672**
Net provisioning for risks and charges = Item 170 b) other net provisioning	**(90,292)**	**(4,541)**
Net impairment losses on loans	**(488,617)**	**(121,124)**
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	(15,286)	21,383
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	(14,700)	(24,384)
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss:of b) of other financial assets mandatorily measured at fair value: of which measurement of financial instruments	(13,899)	(979)
130. Net adjustments for credit risk of: a) financial assets measured at amortized cost	(428,053)	(110,428)
To deduct: net impairment for credit risk of: a) securities classified as financial assets measured at amortized cost	3,591	(630)
140. Profits/Losses on contract modifications without derecognition	366	(1,258)
160. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	(5,895)	(7,842)
170. Net provisioning for risks and charges: a) commitments and guarantees given	(11,798)	841
200. Other operating expenses/income: of which recovered expenses for the management of non-performing loans	1,648	2,270
Impairment of foreclosed properties	(4,591)	(97)
Net adjustments of securities	(4,018)	1,560
130. Net adjustments for credit risk of: a) O/w securities classified as financial assets measured at amortized cost	(3,591)	630
130. Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	(427)	930
Profit (loss) on other investments	**(99,653)**	**30,922**
220. Profit (losses) on equity investments	(11,921)	(1,148)
250. Profit (losses) on disposals of investments	1,555	33,337
Impairment of property, plant and equipment and intangible assets	(89,287)	(1,267)
Profit (loss) before tax from continuing operations	**(575,371)**	**99,489**
Taxes on income from continuing operations = item 270	**344,186**	**9,840**
Profit (Loss) for the period	**(231,185)**	**109,329**

Net Operating Income

Net operating income came to Euro 550.9 million, vs. Euro 594.5 million in 2020. Excluding the effects of the adoption of new policies on the measurement of securities aligned with those adopted by the Parent Company, specifically to measure units of O.I.C.R. collective investment undertakings, operating income would be approximately stable vs. 2020.

Net interest income

Net interest income came to Euro 330.2 million. The performance in the period was affected by the lower contributions from non-performing loans disposed of in 2020 and from finance operations, which were offset by the TLTRO III advantages. Versus the figure for the previous FY (Euro 337.3 million),net interest income decreased by 2.1%.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Loans to customers measured at amortised cost	277,831	293,693	-15,862	-5.4
Loans to banks measured at amortised cost	34,036	19,405	14,631	75.4
Debt securities issued	(22,895)	(25,476)	-2,581	-10.1
Spreads on hedging derivatives	(14,385)	(13,670)	715	5.2
Financial assets held for trading	1	6	-5	-83.3
Assets measured at fair value	139	373	-234	-62.7
Securities measured at amortized cost	54,244	62,298	-8,054	-12.9
Securities through other comprehensive income	5,749	6,330	-581	-9.2
Other net interest income	(4,492)	(5,645)	1,153	-20.4
Net interest income	**330,228**	**337,314**	**-7,086**	**-2.1**

Net fee and commission income

Net fee and commission income came to Euro 240.1 million vs. Euro 228.6 million in the previous FY, which was harder hit by the Covid-19 health emergency affecting also transactions made by Customers.

Specifically, fee and commission income from the traditional banking business came to Euro 108.9 million, increasing by 4.1% vs. 2020 . Fee and commission income from the asset management and administration business came to Euro 88.7 million vs. Euro 72.2 million in the same period of the previous FY (+22.8%).

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- guarantees given and received	4,289	4,333	-44	-1.0
- collection and payment services	28,638	27,602	1,036	3.8
- current accounts	53,916	53,675	241	0.4
- debit and credit card services	22,058	18,984	3,074	16.2
Commercial banking business	**108,901**	**104,594**	**4,307**	**4.1**
- securities intermediation and placement	44,182	35,184	8,998	25.6
- intermediation in foreign currencies	2,873	2,896	-23	-0.8
- asset management	7,955	8,110	-155	-1.9
- distribution of insurance products	24,586	20,258	4,328	21.4
- other intermediation/management fee and commission income	9,129	5,806	3,323	57.2
Management, intermediation and advisory services	**88,725**	**72,254**	**16,471**	**22.8**
Other net fee and commission income	**42,419**	**51,720**	**-9,301**	**-18.0**
Total net fee and commission income	**240,045**	**228,568**	**11,477**	**5.0**

Dividends and similar income

Dividends were received in an amount of Euro 2.4 million vs. Euro 1.9 million in the previous FY and mainly consisted of income from units in O.I.C.R. collective investment undertakings.

Financial income (loss)

The Bank reports a financial loss of Euro 22.2 million vs. income of Euro 21 million reported in the previous FY: the decrease resulted mainly from the measurement of units of O.I.C.R. collective investment undertakings with the new measurement bases accounting for Euro -38.2 million and from realized gains on government securities closed to maturity (Euro 14,7 million).

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Activities on interest rates	(1)	(11)	-10	-90.9
Stocks	55	(89)	144	N.s.
Foreign exchange	1,370	2,558	-1,188	-46.4
Total profit (losses) on financial assets held for trading	**1,424**	**2,458**	**-1,034**	**-42.1**
Total profit (losses) on assets held for hedging	**79**	**(170)**	**249**	**N.s.**
Net profit (loss) on financial assets and liabilities measured at fair value	**(38,257)**	**(6,915)**	**31,342**	**N.s.**
Total profit (losses) on securities measured at amortized cost	**14,700**	**24,384**	**-9,684**	**-39.7**
Total profit (losses) on securities through other comprehensive income	**(102)**	**1,247**	**-1,349**	**N.s.**
Financial income (loss)	**(22,156)**	**21,004**	**-43,160**	**N.s.**

Other operating income (expenses)

Item Other operating income (expenses) came to Euro 366 thousand vs. Euro 5.7 million in 2020. The 2020 figure reported also non-recurring income from the Group Pension Fund transaction.

Operating expenses

Total operating expenses came to Euro 443.7 million, increasing by 10.4% vs. the previous FY.

Personnel expenses came to Euro 285.7 million, increasing by 17.7% vs. Euro 242.7 million in 2020 and also report the expenses for the voluntary redundancy provisions associated with the 2021 Next Generation amounting to Euro 37.8 million.

Other administrative expenses came to Euro 116 million, decreasing vs. Euro 117 million in the previous FY, thanks to the savings achieved through cost optimization and rationalization actions. The expenses for contributions to the Italian Banking System amounted to Euro 25.7 million (Euro 11.2 million for the contribution to the Single Resolution Fund and Euro 14.5 million for the contribution to the Interbank Deposit Protection Fund), decreasing vs. the contributions paid in the previous FY (Euro 26.3 million). The costs incurred to manage the Covid-19 health emergency amounted to Euro 2.1 million (Euro 1.9 million in the previous FY).

Depreciation and amortization came to approximately Euro 42 million, decreasing by 0.6% vs, the 2020 figure.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- wages and salaries(*)	(162,799)	(158,725)	4,074	2.6
- social security contributions	(50,961)	(47,738)	3,223	6.8
- other personnel expenses	(71,934)	(36,198)	35,736	98.7
Personnel expenses	**(285,694)**	**(242,661)**	**43,033**	**17.7**
- general operating expenses	(28,696)	(29,981)	-1,285	-4.3
- IT services	(31,400)	(32,638)	-1,238	-3.8
- direct and indirect taxes	(39,780)	(40,541)	-761	-1.9
- real estate property management	(3,732)	(3,479)	253	7.3
- legal and other professional services	(10,076)	(14,172)	-4,096	-28.9
- advertising and promotion expenses	(532)	(312)	220	70.5
- indirect personnel expenses	(700)	(544)	156	28.7
- contributions to support the banking system	(25,747)	(26,282)	-535	-2.0
- other expenses	(17,655)	(12,158)	5,497	45.2
- expenses recovered	42,298	43,156	-858	-2.0
Administrative expenses	**(116,020)**	**(116,951)**	**-931**	**-0.8**
- intangible assets	(8,581)	(8,350)	231	2.8
- property, plant and equipment	(33,373)	(33,863)	-490	-1.4
Depreciation and amortization	**(41,954)**	**(42,213)**	**-259**	**-0.6**
Operating expenses	**(443,668)**	**(401,825)**	**41,843**	**10.4**

(*) Excluding seconded personnel.

Operating margin

Operating margin came to Euro 107.2 million, decreasing vs. the previous FY (Euro 192.7 million) mainly due to the non-recurring elements reported above. Net of said non-recurring elements, income from operations would post a slight decrease due to the lower contribution of financial income vs. 2020.

Net Provisioning for risks and charges

Net provisioning for risks and charges came to Euro 90.3 million vs. Euro 1.4 million in the previous FY. This item reports the effects of the measurement of charges for unexpected compensations and lawsuits in accordance with the policies of the Parent Company Crédit Agricole Italia along with the recognition of contingent expenses for early termination of multi-year agreements for product distribution and service provision.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
Revocatory actions	(1,360)	1,800	-3,160	N.s.
Non-lending-related legal disputes	(6,239)	(163)	6,076	N.s.
Lawsuits in which the Bank is the defendant	(12,123)	984	-13,107	N.s.
Out-of-court	(1,673)	334	-2,007	N.s.
Other	(68,897)	(7,497)	-61,400	N.s.
Total	**(90,292)**	**(4,542)**	**85,750**	**N.s.**

Net adjustments to loans

Net adjustments to loans came to Euro 488.6 million vs. Euro 121.1 million in 2020 in particular because of the classification and measurement of performing and non-performing loans with the bases of measurement and approaches used by the Parent Company, because of the Stelvio portfolio disposal and because of the measurement at the sale prices of part of the lease portfolio.

The ratio measuring the annualized cost of risk (ratio of adjustments recognized through profit or loss to the amount of net loans to customers as at the reporting date), calculated net of the 2021 non-recurring items represented above, came to 0.68% vs. 0.76% in FY 2020.

Items	31 Dec. 2021	31 Dec. 2020	Changes	
			Absolute	%
- bad loans	(101,119)	(66,967)	34,152	51.0
- Unlikely to Pay	(330,896)	(59,327)	271,569	N.s.
- Past-due loans	(2,414)	(2,300)	114	5.0
Non-performing loans	**(434,429)**	**(128,594)**	**305,835**	**N.s.**
- Performing loans - stage 2	1,721	13,908	-12,187	-87.6
- Performing loans - stage 1	(21,740)	627	-22,367	N.s.
Performing loans	**(20,019)**	**14,535**	**-34,554**	**N.s.**
Net losses on impairment of loans	**(454,448)**	**(114,059)**	**340,390**	**N.s.**
Profits/Losses on contract modifications without derecognition	366	(1,258)	1,624	N.s.
Measurement of financial instruments	(13,899)	(979)	12,920	N.s.
Expenses/recovered expenses for loan management	(4,247)	(5,572)	-1,325	-23.8
Adjustments/recoveries for guarantees and commitments	(11,798)	841	-12,639	N.s.
Impairment of properties taken back at the expiry of lease contracts	(4,591)	(97)	4,494	N.s.
Net adjustments to loans	**(488,617)**	**(121,124)**	**367,493**	**N.s.**

Profit/loss on other investments

The Bank reports a loss on investments of Euro 99.7 million vs. net income of Euro 30.9 million in the previous FY. The decrease of Euro 130.6 million, of which Euro 93.7 million in higher adjustments to property, plant and equipment and intangible assets due to the write-offs of the software and hardware whose remaining useful life was changed and to the change in the bases of measurement of non-operating property, operating property, property inventories and rights of use in accordance with those adopted by the Parent Company. The adopted measurement approach was also set based on the new plan for property use. In 2020 this item reported the capital gain realized with the disposal of the pawnbrokerage line of business.

Profit (loss) before tax from continuing operations

In 2021, the Bank reports a loss before tax from continuing operations of Euro 575.4 million, vs. a profit of Euro 99.5 million in the comparison period.

Taxes on income from continuing operations

Current taxes and deferred tax assets and liabilities had a positive balance of approximately Euro 344.2 million vs. a positive balance of about Euro 9.8 million in the previous FY, and report the positive effect of the recognition of deferred tax assets for previous tax losses amounting to about Euro 178 million resulting from the exercise by the Parent Company Crédit Agricole Italia of the option to convert DTA for tax losses under Article 1, paragraph 233 et seq. of Italian Law no. 178 of 30 December 2020 linked to the upcoming merger of Creval.

Excluding the impact of the non-recurring component consisting in the recognition of the deferred tax assets on tax losses for previous periods, deferred tax assets recognized came to Euro 166.2 million. This calculated, the tax rate, again positive, stood at 28.9% and was affected by the recognition of the Aid to economic growth (ACE) benefit and by the benefit resulting from the signing of the Patent Box agreement.

Net profit (loss)

The Bank reports a net loss for the period of Euro 231.2 million vs. a net profit of Euro 109.3 million reported in the previous FY.

Comprehensive income

Items		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**(231,185)**	**109,329**
	Other comprehensive income after tax not recycled to profit or loss	**(5,322)**	**4,868**
20.	Equity securities designated at fair value through other comprehensive income	(5,632)	(308)
70.	Defined-benefit plans	310	5,176
	Other comprehensive income after tax reclassified to profit or loss	**(5,401)**	**139**
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(5,400)	139
170.	**Total other comprehensive income after taxes**	**(10,723)**	**5,007**
180.	**Comprehensive income (Item 10+170)**	**(241,908)**	**114,336**

Comprehensive income came to Euro -241.9 million and consists of the loss for the period (amounting to Euro 231.2 million), the fair value negative changes of financial assets measured at fair value directly through equity reserves (government debit securities by Euro -5.4 million and equity securities by Euro -5.5 million) and the change in actuarial reserves on defined-benefit plans (Euro +310 million).

OTHER INFORMATION

NEXT GENERATION PLAN

Within the Creval integration project, the Crédit Agricole Italia Group started a generational turnover programme having strategic extent and value, which will in a short time lead to having state-of-the-art competences and skills.

With the exit of the resources who are the oldest in age and have been on staff the longest and the concomitant entry of young resources having the knowledge and skills to “keep up with the times”, the Group will the able to continue to effectively compete in its industry, which is undergoing deep transformation, not only in technology terms.

On 1 October 2021 the Voluntary Redundancy Agreement was signed with the Trade unions. For the 800 places available, 840 people applied for voluntary redundancy. Therefore, in order to be able to accept all the applications, another agreement supplementing the previous one was signed.

In order for the turnover to be appropriately gradual, four timeslots in 2022 and 2023 have been set for the resources who have taken the voluntary redundancy scheme to leave.

During this period, structured retraining and professional conversion programmes will be provided aimed at facilitating the management requirements for any coverage of vacancies, also from a professional development standpoint.

STELVIO PROJECT

Within the derisking actions deployed on the NPE portfolio, in 2021 the Crédit Agricole Italia Group successfully completed disposals of non-performing loans for an aggregate gross book value of over Euro 1.6 billion, combining the securitization transaction called "Stelvio Project" and the disposal of single positions during the ordinary collection activities.

Specifically, the Stelvio transaction perimeter is a portfolio of about 13,500 loans classified as bad, for a gross book value of Euro 1.55 billion, 71% of which was originated by Crédit Agricole Italia, 17% by Credito Valtellinese and 12% by Crédit Agricole FriulAdria.

In December 2021 the sale agreement was signed with the special-purpose entity "Ortles21 S.r.l".

In order to finance the purchase of the loans, on 17 December 2021, the special-purpose entity issued three tranches of ABS as listed below:

- Senior (Class A) notes, amounting to Euro 340,000,000 and equal to 18.5% of the gross collectible value of the sold loans, to which a BBB investment grade rating was assigned by Scope Rating, DBRS and Arc Rating and were subscribed by the Parent Company;
- Mezzanine (Class B) notes, amounting to Euro 40,000,000 and equal to 2.2% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company;
- Junior (Class J) notes, amounting to Euro 14,311,000 and equal to 0.8% of the gross collectible value of the sold loans, without rating and subscribed by the Parent Company;

The Notes are not listed on any regulated market.

On 21 December 2021, 95% of the Mezzanine notes and 95% of the Junior notes was sold to specialist investor SPF Investment Management with concomitant payment of the purchase price and subsequent derecognition of the sold loans.

As regards the Senior notes, the application for admission to the Italian State guarantee scheme on securitization of NPLs (GACS) was submitted to the Italian Ministry of the Economy and Finance.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The qualitative and quantitative analysis of the transactions made in the year with parties falling within the definition of related party as given by the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Banking Group", which was adopted in July 2018 and updated as of 1 July 2021, is reported in Part H of the Notes to the Financial Statements, to which reference is made.

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

The analysis of any atypical and/or unusual transactions, in accordance with the definition given in CONSOB Regulation 11971/99, is reported in Part H of the Notes to the Financial Statements, to which reference is made. In the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

RESEARCH AND DEVELOPMENT

For information on research and development activities, please see other parts of the Report to the Consolidated Financial Statements, specifically the chapter on the Strategic Plan and Business Development Lines as regards the creation of new products and services for Customers..

RISKS AND UNCERTAINTIES

The Risk monitoring, management and control policies continue to be key principles on which Banks will have to measure themselves both against each other and against domestic and international markets.

Making references to other parts of the Notes to the financial statements for more exhaustive examination of the risks and uncertainties to which the Company is exposed (along with the techniques) for their mitigation), it cannot but be once again said that the Group and its Management pay constant and close attention to this matter.

Indeed, the Bank's governance bodies are fully aware that sustainable development and growth do require also effective analysis of the risks which Credito Valtellinese is exposed to and of the relating uncertainties, in terms of impacts that may be generated on its financial position, cash flows and performance; effective management and mitigation of said risks to acceptably low levels are another crucial requirement for sustainable growth, also in order to protect savings (and, with them, Customers' confidence) on the one hand, and loans (healthy drivers of growth) on the other.

Credito Valtellinese, like the Crédit Agricole Italia Banking Group, uses risk control methods, measurement standards and tools that are consistent throughout the Crédit Agricole Group as a whole and appropriate for the type and size of the risks taken.

Nearly two years after the outbreak of the Covid-19 pandemic, its impacts and effects on public health, economic activity and trade continue to affect the present and forward-looking scenario in which the Bank operates and will operate.

In 2021 the macroeconomic scenario gave positive signs, with strong growth driven by the termination of containment measures and the spreading of vaccination campaigns ,which took trade back at its pre-pandemic levels. In H2, the spreading of new variants of the virus (Delta and Omicron) and tensions in commodity procurement caused investments and production to slow down and contributed to the global increase in inflation.

Albeit in a complex scenario still featuring profound uncertainties, the analyses performed by the governance bodies based on the information currently available gave evidence to conclude that Credito Valtellinese will be able to address the risks and uncertainties generated by the situation.

Credito Valtellinese and the Crédit Agricole Italia Banking Group can rely on their proven capital quality and strength to control risks and to respond to the challenges that the economic recovery after the pandemic will pose to the banking system.

The sound and prudent management that has always informed Crédit Agricole Italia operations aims also at ensuring strong development through strategies that pursue sustainable growth.

The development in the geopolitical tensions that led to the military invasion of Ukraine by Russia is an uncertainty factor for the Crédit Agricole Italia Group. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified.

APPROACH TO SUSTAINABILITY AND OTHER NON-FINANCIAL ASPECTS

The non-financial data and information of the Crédit Agricole Italia Banking Group are part of the Consolidated Non-Financial Statement prepared by the French Parent Company Crédit Agricole S.A.; therefore, the Crédit Agricole Italia Banking Group would be entitled to the exemption pursuant to Article 6 of Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter "D.Lgs. 254/2016") for reporting entities that belong to a Group that prepares a Consolidated Non-Financial Statement. Nevertheless, in agreement with the French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group decided not to opt for the exemption provided for by the aforementioned Article 6 of D.Lgs 254/2016 and has prepared its Consolidated Non-Financial Statement (NFS) as at 31 December 2020 in compliance with D.Lgs. 254/2016.

Crédit Agricole Italia decided to opt for the exemption provided for by Article 6 of D.Lgs. 254/2016 and not to prepare its separate Non-Financial Statement, in its capacity as a public Interest Entity (PIE) falling in the scope of D.Lgs, 254/2016 whose non-financial data and information are included in the consolidated Non-Financial Statement prepared by the Crédit Agricole Italia Banking Group. The Non-Financial Statement of the Crédit Agricole Italia Banking Group reports the Crédit Agricole Italia's activities as at 31 December 2021 and is a stand-alone document separated from the Management Report, but an integral part of the 2021 Annual Report and Financial Statements The NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Banks of the Crédit Agricole Italia Banking Group, for full disclosure and reporting on them and on the resulting impacts..

NFS

The Directors of Credito Valtellinese S.p.A. exercised the option for the exemption from the presentation of the Bank's Non-Financial Statement under Article 6, paragraph 2, of Italian Legislative Decree No. 254 of 30 December 2016.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE – INFORMATION UNDER ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF ITALIAN LEGISLATIVE DECREE 58/98 (THE ITALIAN CONSOLIDATED ACT ON FINANCE -TUF)

For the Report on corporate governance and ownership structure, please refer to the Annual Report and Consolidated Financial Statements.

PROPOSAL TO THE GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

We submit the Annual Report and Financial Statements for the financial year from 1 January to 31 December 2021, for your examination and approval, which consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, the Notes to the Financial Statements, as well as of the Annexes, and are accompanied by the Management Report.

We also submit our proposal for your consideration and approval that the loss for the period of Euro 231,185,043,50, be covered using:

- Extraordinary reserve for Euro 65,113,778.76;
- Distributable reserve pursuant to Art. 2 of Italian Legislative Decree 38/2005 for Euro 8,479,661.29;
- Legal reserve for Euro 5,012,155.58;
- Undistributable reserve pursuant to Art. 6 paragraphs 2 and 4 of Italian Legislative Decree 38/2005 for Euro 615,415.07.

We propose that the remaining part of Euro 151,964,032.80 be carried forward.

17 March 2022

The Chairman of the Board of Directors
Filippo Zabban

Certification of the separate financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

1. The undersigned, Filippo Zabban, as Chairman of Board of Directors, and Simona Orietti, as the Manager in charge of the preparation of corporate accounting documents of Credito Valtellinese S.p.A., also considering the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

   - the adequacy, in relation to the business characteristics and
   - the effective application

   of administrative and accounting procedures for the preparation of the separate financial statements for the period 1 January - 31 December 2021.

2. The assessment of the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements at 31 December 2021 is based on a Model conceived by Credito Valtellinese S.p.A., in line with the "Internal Control - Integrated Framework (CoSO)" and with the "Control Objectives for Information and Related Technologies (Cobit)", which represent reference standards for the internal control system and for financial reporting in particular, generally accepted at international level.

3. We also certify that:

3.1 the Financial Statements:

a) were prepared in compliance with applicable IFRS endorsed in the European Community pursuant to (EC) Regulation no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
b) are consistent with accounting books and records;
c) provide a true and fair view of the financial position and performance of the issuer;

3.2 the Report on operations includes a reliable analysis of the performance and the result of operations, and the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Sondrio, 17th March 2022

The Chairman of Board of Directors

The Manager in charge of the preparation of corporate accounting documents

Filippo Zabban

Simona Orietti

ATTESTATION BY THE INDEPENDENT

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the sole shareholder of Credito Valtellinese SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Credito Valtellinese SpA ("Company" or "Bank"), which comprise the balance sheet as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of "non-convertible" deferred tax assets	
Notes to the financial statements *Part A – Accounting policies* *Part B – Information on the Balance Sheet, section 10 of assets* *Part C – Information on the Income Statement, section 19* As of 31 December 2021, the line item 110 b) "Deferred tax assets" included "non-convertible" deferred tax assets (DTAs) amounting to Euro 368.8 million other than those referred to in Law no. 214/2011, the recoverability of which is ensured by the specific provisions of law, and other than those arising from prior tax losses recognised in the year. With reference to the merger by incorporation of Credito Valtellinese SpA into Crédit Agricole Italia SpA scheduled for April 2022, in accordance with the provision of Article 1, paragraphs 233 et seq. of Law no. 178 of 30 December 2020, these assets can be converted into tax credits according to a specific procedure. The directors carry out the periodic assessment of the recoverability of the non-convertible DTAs deriving from tax losses for the year and from other temporary differences, through the development of a specific estimation process (probability test) aimed at verifying, in accordance with IAS 12 "Income Taxes", the availability of sufficient future taxable income, also in light of the Bank's merger by incorporation into the parent company Crédit Agricole Italia SpA. The assessment of the recoverability of DTAs requires the use of information, parameters and assumptions that have a high degree of subjectivity and complexity, with particular reference to the estimation of expected future taxable income.	During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particularly uncertain context resulting from the Covid-19 pandemic. In particular, in order to address such key audit matter, we carried out the following main activities, also with the support of the experts of PwC network: • understanding and evaluating the process and methodology adopted by the directors to perform the probability test; • verifying the consistency of the methodology adopted with the provisions of IAS 12, taking into consideration the professional practice, as well as the communications and recommendations of the Supervisory Authorities; • assessing, also by comparison with external data, where available, the reasonableness of the main qualitative and quantitative assumptions (income flows, alternative scenarios, discount rate and growth rate); • analysing the reasonableness of the assumptions used for the preparation of the probability test, based on the applicable tax regulations; • verifying the accuracy of the mathematical calculations underlying the probability test and their correctness; • evaluating the results of the sensitivity analyses carried out by the directors on the recoverability of the DTAs when the parameters adopted change, also in light of the uncertainty of the current

Moreover, for the 2021 financial year, this process was even more complex considering the high level of uncertainty of the macroeconomic scenario caused by the Covid-19 pandemic. For the reasons set out above, we considered the recoverability of the “non-convertible” deferred tax assets to be a key audit matter of our audit of the Bank’s financial statements as of 31 December 2021.	macroeconomic scenario and the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the information provided by the directors in the notes to the financial statements in accordance with the provisions of the international accounting standards and the applicable regulatory framework, as well as the communications and recommendations issued by the Supervisory Authorities.

Valuation of performing loans to customers measured at amortised cost

Notes to the financial statements
Part A – Accounting policies
Part B – Information on the Balance Sheet, section 4 of assets
Pare C – Information on the Income Statement, section 8
Part E – Information on risks and relative hedging policies – section 1

As of 31 December 2021, performing loans to customers amounted to Euro 12,831 million corresponding to 73 per cent of line item “*40 b) Financial assets measured at amortised cost – loans to customers*”, and to 51 per cent of total assets.

Net value adjustments to performing loans to customers recognised during the year amounted to Euro 20.2 million and represented the directors' best estimate to reflect the expected credit losses (ECL) on the loan portfolio at the balance sheet date, based on applicable accounting standards.

The estimation processes are characterised by a high degree of professional judgement and require significant assumptions to verify the Significant Increase in Credit Risk (SICR), allocate portfolios to the different stages (Staging) and determine the assumptions and input data for the Expected Credit Loss (ECL) models.

During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we took into account the modifications and adaptations that became necessary following the continuation of the uncertain macroeconomic scenario resulting from the Covid-19 pandemic.

In order to address such key audit matter, we carried out the following main activities, also with the support of the experts of PwC network:

- analysing the adequacy of the IT environment and verifying the operational effectiveness of the relevant controls governing the IT systems and applications used to assess loans;
- understanding and evaluating the design of relevant controls in the areas of loan monitoring, classification and evaluation and verifying the operational effectiveness of such controls;
- comparative analysis of the performing portfolio and of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information;
- understanding and verifying the appropriateness of the policies, procedures and models used for

For the year 2021, these estimation processes were affected by some methodological changes compared to the previous year. In particular, in addition to the ordinary process of updating the input data and refining the risk parameters (including the adoption of the new definition of default), the Bank made, following its inclusion in the Crédit Agricole Italia Group, some post-model adjustments in order to factor in certain valuation elements, also related to the risk linked to the Covid-19 pandemic, that were not yet captured by the models used by the Bank. In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted, and taking into account the reasons set out above, we considered the valuation of performing loans to customers measured at amortised cost to be a key audit matter of our audit as of 31 December 2021.	measuring SICR, staging allocation and determining ECL. Particular attention was paid to the counterparties that participated in and benefited from the measures to support the economy following the Covid-19 pandemic, and in particular the debt moratoria; • understanding and verifying the methods to determine the main estimation parameters used in the models for calculating the ECL and the changes and corrections introduced during the year. In particular, we verified the reasonableness of the estimates made by the directors in defining the expected macroeconomic, the PD (Probability of Default) and LGD (Loss Given Default) risk parameters, which include the adjustments made to the models (post model adjustments) and incorporate the changed risk context related to the Covid-19 pandemic, as well as the new definition of default; • verifying the correct application of the valuation criteria defined for loans classified as performing (stage 1 and 2), the completeness and accuracy of the databases used to calculate the ECL, and the accuracy of the formulae used to calculate the PD, LGD and EAD (Exposure at Default) parameters; • verifying, on a sample basis, the reasonableness of the classification under performing loans (stage 1 and 2) on the basis of information on the debtor status and other available evidence, including external evidence; • evaluating the results of the sensitivity analysis of the ECL against the macroeconomic scenarios carried out by the directors, also in consideration of subsequent events including those related to the conflict between Russia and Ukraine; • verifying the completeness and adequacy of the information provided by the directors in the notes to the financial statements in accordance with the provisions of international accounting

standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.

Valuation of non-performing loans to customers measured at amortised cost

Notes to the financial statements
Part A – Accounting policies
Part B – Information on the Balance Sheet, section 4 of assets
Part C – Information of the Income Statement, Section 8
Part E - Information on risks and relative hedging policies – Section 1

As of 31 December 2021, non-performing loans to customers (stage 3) showed a balance of Euro 562.3 million corresponding to 3 per cent of line item "*40 b) Financial assets measured at amortised cost – loans to customers*".

Net value adjustments to these loans recognised during the year amounted to Euro 404.3 million and include the best estimate made by the directors in order to recognise the expected losses relating to the loan portfolio at the reporting date on the basis of the applicable accounting standards, as well as the negative effects deriving from the sale transaction (the so-called "Stelvio project") of a bad loan portfolio for a gross book value of Euro 263 million, in respect of which the Bank has derecognised the loan portfolio.

The estimation processes require the use of significant assumptions in particular with reference to the determination of expected future cash flows, their timing and the realisable value of collaterals, if any.

For the current year, these estimation processes were affected by some methodological changes compared to the previous year. In particular, the valuation policies for non-performing loans were reviewed in order to align them with those of the Crédit Agricole Italia Group, which the Bank joined following the conclusion of the acquisition process through a public purchase offer in April 2021.

During the performance of our audit, we considered the internal control system relevant to the preparation of the financial statements. In order to design audit procedures that are appropriate in the circumstances we also took into account the particularly uncertain context resulting from the Covid-19 pandemic.

In order to address such key audit matter, we carried out the following main activities, also with the support of the experts of PwC network:

- analysis of the adequacy of the IT environment and verification of the operational effectiveness of the relevant controls governing the IT systems and applications used to assess loans;
- understanding and evaluating the design of relevant controls in the area of loan monitoring, classification and evaluation and verifying the operational effectiveness of such controls;
- comparative analysis for each category of non-performing loans of the related hedging levels, with reference to the most significant deviations from the previous year's figures and from sector information;
- understanding and evaluating the valuation policies adopted by the Bank, also in light of the reviews made during the year, following the Bank inclusion in the Crédit Agricole Italia Group;
- verifying, on a sample basis, the reasonableness of the classification under non-performing loans, based on information regarding the debtor status and other available evidence, including external evidence. Specific analyses were

In view of the significance of the book value, as well as the complexity of the processes and methodologies adopted and taking into account the reasons set out above, we considered the valuation of non-performing loans to customers measured at amortised cost to be a key audit matter of our audit as of 31 December 2021.	carried out on the assumptions made with reference to the identification and quantification of future cash flows expected from recovery activities, the valuation of the guarantees covering such exposures and the estimate of recovery times; • verifying the completeness and adequacy of the information provided by the directors in the notes to the financial statements in accordance with the provisions of international accounting standards and the applicable regulatory framework, as well as the communications issued by the Supervisory Authorities.

Other Matters

The financial statements of Credito Valtellinese SpA for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2021.

The Company, as required by law, has included in the notes to the financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the financial statements of Credito Valtellinese SpA does not extend to those figures.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15, and in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 18 June 2021, the shareholders of Credito Valtellinese SpA in general meeting engaged us to perform the statutory audit of the Bank's and consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Credito Valtellinese SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Credito Valtellinese SpA as of 31 December 2021, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Credito Valtellinese SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Credito Valtellinese SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 31 March 2022

PricewaterhouseCoopers SpA

Signed by

Raffaella Preziosi
(Partner)

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

FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

Assets		31 Dec. 2021	31 Dec. 2020
10.	Cash and cash equivalents	217.085.047	196.278.003
20.	Financial assets measured at fair value through profit or loss	119.361.204	188.663.075
	a) financial assets held for trading;	422.869	676.145
	c) other financial assets mandatorily measured at fair value	118.938.335	187.986.930
30.	Financial assets measured at fair value through other comprehensive income	650.288.852	855.452.282
40.	Financial assets measured at amortized cost	22.411.825.486	21.163.329.772
	a) due from banks	4.799.339.483	1.449.261.224
	b) Loans to customers	17.612.486.003	19.714.068.548
70.	Equity investments	16.651.578	59.792.513
80.	Property, Plant and Equipment	368.970.611	483.627.327
90.	Intangible assets	1.756.759	18.098.902
100.	Tax assets	1.078.990.465	755.973.426
	a) current	94.749.559	101.125.521
	b) deferred	984.240.906	654.847.905
110.	Non-current assets held for sale and discontinued operations	277.557.477	11.729.672
120.	Other assets	140.857.124	121.040.605
Total assets		**25.283.344.603**	**23.853.985.577**

BALANCE SHEET – LIABILITIES

Liabilities and Equity		31 Dec. 2021	31 Dec. 2020
10.	Financial liabilities measured at amortized cost	23,015,836,081	21,416,325,911
	a) Due to banks	4,974,365,509	3,539,992,721
	b) Due to Customers	17,502,957,063	17,222,520,431
	c) Debt securities issued	538,513,509	653,812,759
20.	Financial liabilities held for trading	378,541	80,343
40.	Hedging derivatives	126,408,945	159,057,239
60.	Tax liabilities	6,362,397	627,778
	b) deferred	6,362,397	627,778
70.	Liabilities associated with non-current assets held for sale and discontinued operations	6,745,777	-
80.	Other liabilities	380,654,039	379,965,214
90.	Employee severance benefits	37,098,880	38,259,991
100.	Provisions for risks and charges	215,591,121	107,404,017
	a) commitments and guarantees given	25,073,700	13,292,131
	b) post-employment and similar obligations	1,784,455	1,840,202
	c) other provisions for risks and charges	188,732,966	92,271,684
110.	Valuation reserves	-3,574,811	7,351,950
140.	Reserves	85,520,623	-7,824,278
160.	Capital	1,643,508,053	1,643,508,053
170.	Treasury shares (-)	-	-99,812
180.	Profit (loss) for the period (+/-)	-231,185,043	109,329,171
Total liabilities and equity		**25,283,344,603**	**23,853,985,577**

INCOME STATEMENT

Items		31 Dec. 2021	31 Dec. 2020
10.	Interest and similar income	403,375,670	419,222,916
	Of which: interest income calculated with the effective interest method	399,628,304	409,933,760
20.	Interest and similar expense	(73,147,924)	(81,908,671)
30.	**Net interest income**	**330,227,746**	**337,314,245**
40.	Fee and commission income	265,717,975	251,863,189
50.	Fee and commission expense	(25,912,857)	(23,737,533)
60.	**Net fee and commission income**	**239,805,118**	**228,125,656**
70.	Dividends and similar income	2,393,685	1,944,885
80.	Net profit (loss) on trading activities	1,423,298	2,457,230
90.	Net profit (loss) on hedging activities	79,079	(169,952)
100.	Profit (losses) on disposal or repurchase of:	(15,387,712)	22,630,184
	a) financial assets measured at amortized cost	(15,286,099)	21,382,787
	b) financial assets measured at fair value through other comprehensive income	(101,613)	1,247,397
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(52,155,699)	(7,894,196)
	b) other financial assets mandatorily measured at fair value	(52,155,699)	(7,894,196)
120.	**Net interest and other banking income**	**506,385,515**	**584,408,052**
130.	Net losses/recoveries for credit risk on:	(428,480,650)	(109,497,130)
	a) financial assets measured at amortized cost	(428,053,209)	(110,427,536)
	b) financial assets measured at fair value through other comprehensive income	(427,441)	930,406
140.	Profits/Losses on contract modifications without derecognition	366,051	(1,257,631)
150.	**Net financial income (loss)**	**78,270,916**	**473,653,291**
160.	Administrative expenses:	(449,906,800)	(410,610,345)
	a) personnel expenses	(285,693,918)	(242,660,828)
	b) other administrative expenses	(164,212,882)	(167,949,517)
170.	Net provisioning for risks and charges	(102,089,261)	(3,700,927)
	a) commitments and guarantees given	(11,797,500)	840,550
	b) other net provisions	(90,291,761)	(4,541,477)
180.	Net impairment losses/recoveries on property, plant and equipment	(116,769,546)	(35,454,394)
190.	Net adjustments of//recoveries on intangible assets	(19,547,485)	(8,520,353)
200.	Other operating expenses/income	45,037,575	51,932,682
210.	**Operating costs**	**(643,275,517)**	**(406,353,337)**
220.	Profit (losses) on equity investments	(11,921,274)	(1,148,162)
250.	Profit (losses) on disposals of investments	1,555,182	33,337,297
260.	**Profit (Loss) before tax from continuing operations**	**(575,370,693)**	**99,489,089**
270.	Taxes on income from continuing operations	344,185,650	9,840,082
280.	**Profit (Loss) after tax from continuing operations**	**(231,185,043)**	**109,329,171**
300.	**Profit (Loss) for the period**	**(231,185,043)**	**109,329,171**

STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	**Profit (Loss) for the period**	**(231,185,043)**	**109,329,171**
	Other comprehensive income after tax not recycled to profit or loss	**(5,322,168)**	**4,867,703**
20.	Equity securities designated at fair value through other comprehensive income	(5,632,462)	(308,271)
70.	Defined-benefit plans	310,294	5,175,974
	Other comprehensive income after tax reclassified to profit or loss	**(5,400,513)**	**139,294**
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(5,400,513)	139,294
170.	**Total other comprehensive income after taxes**	**(10,722,681)**	**5,006,997**
180.	**Comprehensive income (Item 10+170)**	**(241,907,724)**	**114,336,168**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Treasury shares	Profit (Loss) for the period	Equity
			Retained earnings reserves	other				
EQUITY AS AT 31 DEC. 2020	1,643,508,053	-	-7,824,278	-	7,351,950	-99,812	109,329,171	1,752,265,084
CHANGE TO OPENING BALANCES	-	-	-	-	-	-	-	-
EQUITY AS AT 1 JAN. 2021	1,643,508,053	-	-7,824,278	-	7,351,950	-99,812	109,329,171	1,752,265,084
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								
Reserves	-	-	93,194,743	-	-	-	-93,194,743	-
Dividends and other allocations	-	-	-	-	-	-	-16,134,428	-16,134,428
CHANGES FOR THE PERIOD								
Changes in reserves	-	-	150,158		-204,080	-		-53,922
Issue of new shares	-	-	-	-	-	99,812	-	99,812
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-10,722,681	-	-231,185,043	-241,907,724
EQUITY AS AT 31 DEC. 2021	1,643,508,053	-	85,520,623	-	-3,574,811	-	-231,185,043	1,494,268,822

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Treasury shares	Profit (Loss) for the period	Equity
			Retained earnings reserves	other				
EQUITY AS AT 31 DEC. 2019	1,916,782,887	638,667,217	38,807,053	-1,009,882,762	-5,583,634	-99,812	59,233,470	1,637,924,419
CHANGE TO OPENING BALANCES	-	-	-	-	-	-	-	-
EQUITY AS AT 1 JAN. 2020	1,916,782,887	638,667,217	38,807,053	-1,009,882,762	-5,583,634	-99,812	59,233,470	1,637,924,419
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								
Reserves	-	-	4,204,719	55,028,751	-	-	-59,233,470	-
Dividends and other allocations	-	-	-	-	-	-	-	-
CHANGES FOR THE PERIOD								
Changes in reserves	-273,274,834	-638,667,217	-50,836,050	954,854,011	7,928,587	-	-	4,497
Issue of new shares	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	5,006,997		109,329,171	114,336,168
EQUITY AS AT 31 DEC. 2020	1,643,508,053	-	-7,824,278	-	7,351,950	-99,812	109,329,171	1,752,265,084

STATEMENT OF CASH FLOWS

		31 Dec. 2021	31 Dec. 2020
A.	OPERATING ACTIVITIES		
1.	**Cash flows from operations**	**150.602.411**	**165.975.383**
	- Profit (Loss) for the year (+/-)	-231.185.043	109.329.171
	- Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value through profit or loss(-/+)	51.306.192	8.010.473
	- Gains/losses on hedging activities (-/+)	-79.079	169.952
	- Net losses/recoveries for credit risk (+/-)	445.926.982	129.559.142
	- Net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	136.317.031	44.187.106
	- Net provisioning for risks and charges and other costs/revenues (+/-)	102.089.261	3.700.927
	- Taxes, levies and tax credits not settled (+)	-331.299.274	-3.051.266
	- Other adjustments (+/-)	-22.473.659	-125.930.122
2.	**Cash flow generated/absorbed by financial assets**	**-1.810.509.050**	**244.609.409**
	- Financial assets held for trading	248.188	1.439.121
	- Financial assets mandatorily measured at fair value	17.699.337	-3.110.336
	- Financial assets measured at fair value through other comprehensive income	189.838.645	116.854.035
	- Financial assets measured at amortized cost	-1.985.829.253	112.620.927
	- Other assets	-32.465.967	16.805.662
3.	**Cash flow generated/absorbed by financial liabilities**	**1.690.868.776**	**-439.282.098**
	- Financial liabilities measured at amortized cost	1.662.582.652	-349.189.671
	- Financial liabilities held for trading	298.198	54.554
	- Other liabilities	27.987.926	-90.146.981
Net cash flow generated/absorbed by operating activities		**30.962.137**	**-28.697.306**
B.	INVESTING ACTIVITIES		
1.	**Cash flow generated by:**	**13.363.127**	**46.703.565**
	- Sales of equity investments	-	3.588.410
	- Dividends received on equity investments	1.214.624	1.184.064
	- Sales of property, plant and equipment	12.148.503	3.931.091
	- Sales of business units	-	38.000.000
2.	**Cash flow absorbed by:**	**-7.483.604**	**-12.161.252**
	Purchases of equity investments	-932.145	-1.452
	- Purchases of property, plant and equipment	-3.346.117	-5.130.564
	- purchases of intangible assets	-3.205.342	-7.029.236
Net cash flows generated/absorbed by investing activities		**5.879.523**	**34.542.313**
C.	FUNDING ACTIVITIES		
	- Issues/purchases of treasury shares	99.812	-
	- Distribution of dividends and other	-16.134.428	-
Net cash flows generated/absorbed by funding activities		**-16.034.616**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**20.807.044**	**5.845.007**

RECONCILIATION

Financial Statement items	31 Dec. 2021	31 Dec. 2020
Opening cash and cash equivalents	196,278,003	190,432,996
Total net increase/decrease in cash and cash equivalents for the year	20,807,044	5,845,007
Closing cash and cash equivalents	**217,085,047**	**196,278,003**

Key:
(+) generated/from
(-) absorbed/us

The information required under paragraph 44 B of IAS 7 in order to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes..

	31 Dec. 2020	Changes from cash flows generated by	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	31 Dec. 2021
Liabilities arising from financing activities (items 10, 20 and 30.40 of Liabilities)	21,416,406,254	1,599,510,170	-	298,198	-	23,016,214,622

NOTES TO THE FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

SECTION 1 – STATEMENT OF COMPLIANCE WITH IAS/IFRS

The Annual Report and Financial Statements of Credito Valtellinese have been prepared pursuant to Italian Legislative Decree no. 38 of 28 February 2005, in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.

Therefore, the IAS/IFRS in force as at 31 December 2021 (including the interpretations documents called SIC and IFRIC) have been applied, as endorsed by the European Commission and listed in detail in the specific table in an annex to these Financial Statements.

The financial statements and the contents of the notes to the financial statements have been prepared in compliance with the provisions laid down in Circular No. 262 "Banks' financial statements: layouts and preparation" issued by the Bank of Italy on 22 December 2005, within the exercise of its powers under Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one of which is the 5th update published on 02 November 2021 Furthermore, these financial statements have been prepared in accordance with the instructions given by the Bank of Italy on 21 December 2021 as regards the update of the supplements to its Circular 262 concerning the impacts of Covid-19 and the measures to support the economy.

SECTION 2 - GENERAL PREPARATION PRINCIPLES

The Annual Report and Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements, as well as of the Management Report on the performance of operations, on the profits (losses) made and on the Group's financial and cash flow position.

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency. The amounts reported in the financial statements are In Euro. The amounts in the Notes to the Financial Statements and in the Management Report are expressed in thousands of Euro, where not otherwise specified.

The Annual Report and Financial Statements have been prepared in compliance with the general presentation principles set down by IAS 1 and with the specific accounting standards endorsed by the European Commission and reported in Part A.2 of this Note.

No exceptions were made in applying the IASs/IFRSs.

Furthermore, the 2020 Annual Report and Financial Statements were prepared taking into account, where applicable, the communications and the interpretation documents of the various Regulatory and Supervisory Authorities (ESMA, EBA, ECB, Bank of Italy) giving recommendations on the disclosures and transparency required of financial institutions and information supporting the application of the accounting standards as regards the consequences of the Covid-19 pandemic, which, due to its pervasiveness, impacts on several areas of annual financial reporting.

In performing their role as competent Supervisory Authorities for prudential purposes, the European Central Bank and the Bank of Italy published press releases and letters intended to clarify the reference regulatory

The main communications and interpretations provided by the Supervisory Authorities and taken into account for the preparations of the 2021 annual report and financial statements, which, in several cases, had already been applied to the 2020,annual report and financial statements, are reported in the table below.

Document title	Issue date	Title
EBA- European Banking Authority		
Statement	25 March 2020	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures
Guidelines	02/04/2020-25/06/20 – 02 December 2020	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis
ESMA – European Securities and Market Authority		
Recommendation	11 March 2020	ESMA recommend action by financial market participant for Covid-19 impact
Statement	25 March 2020	Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9
Communication	20 May 2020	Implications of the Covid-19 outbreak on the half-yearly financial reports
Statement	29 October 2021	European common enforcement priorities for 2021 annual financial reports
IFRS Foundation		
Statement	27 March 2020	IFRS 9 and Covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic
ECB -European Central Bank		
Communication	20 March 2020	ECB Banking Supervisor provides further flexibility to banks in reaction to coronavirus
Letter	01 April 2020	IFRS 9 in the context of the coronavirus (Covid-19) pandemic
Letter	04 December 2020	Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic
Bank of Italy		
Communication	21 December 2021	Update of the provisions supplementing Circular no. 262 “Banks' financial statements: layouts and preparation” concerning the impacts of the COVID-19 pandemic and of the measures to support the economy.
Consob		
Warning notice no.1/21	16 February 2021	Covid -19 - Measures to support the economy - Warning notice on the information to be provided by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards;

GOING-CONCERN BASIS

On 1 February 2022, after receiving the relevant authorization from the ECB, the Board of Directors of Credito Valtellinese passed the resolution for the merger by absorption of Creval into Crédit Agricole Italia S.p.A., under Article 2505 et seq. of the Italian Civil Code. The merger is expected to be completed in April 2022.

With regard to the going concern assumption, in the light of the main economic and financial indicators and business outlook, the Board of Directors believes it has a reasonable certainty that Creval will remain a going concern albeit as part of a different legal entity. Therefore, the annual financial statements were prepared on a going-concern basis.

Despite the ongoing complexity of the economic and health scenario, which is to be considered still critical and constantly evolving due to the spread of the Covid-19 pandemic, including variants, and to the measures deployed by Italy and by the EU to address it, the analyses carried out based on the available information have given grounds to conclude that the Bank will be able to meet the risks and uncertainties associated with the present emergency.

As regards the risk reporting required pursuant to IFRS 7, appropriate information is provided in the Management Report and in the Notes to the Financial Statements, specifically in Section 5 below and in Part E - Information on risks and relative hedging policies.

The Notes to the Financial Statements also reports the verifications that were carried out in order to assess any impairment of financial assets and non-current assets.

USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

To prepare the Annual Report and Financial Statements, estimates and assumptions must be made, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities reported.

Making such estimates entails the use of the information that is available at the relevant time and of subjective assessments.

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which the Bank will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Bank's assets. Said estimates and assessments are therefore difficult and entail unavoidable elements of uncertainty. The increasing geopolitical tensions in Europe and the war in Ukraine are yet another uncertainty factor for the Group.

More exhaustive information is given in Section 5 "Risks, uncertainties and impacts generated by the Covid-19 epidemic".

The main instances that require the use of subjective assessments to be made by the Senior Management are the following:

- Quantifying losses resulting from the impairment of loans and of other financial assets in general;
- Using measurement models for the recognition of the fair value of financial instruments that are not listed on active markets;
- Using measurement models for equity investments;
- Quantifying the fair value of properties and artistic heritage;
- Assessing the consistency of the value of intangible assets and property, plant and equipment;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

The description of the accounting policies applied to the main aggregates reported in the financial statements provides detailed information on the major assumptions made and subjective assessments used in preparing the financial statements.

CONTENT OF THE FINANCIAL STATEMENTS AND OF THE NOTES TO THE FINANCIAL STATEMENTS

The Balance Sheet and Income Statement contain items, sub-items and further information (the "of which" for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005, as updated. In the Balance Sheet and Income Statement, items with no amount in the reporting year and in the previous one have not been stated. In the Income Statement, costs are in parenthesis while revenues have no sign.

Besides the profit (loss) per the period, the Statement of Comprehensive Income presents the other income that were not recognized in the Income Statement but as changes in the equity valuation reserves. As for the Balance Sheet and the Income Statement, the items with no amounts for the reporting year, and with no amounts for the previous one, have also been stated. Negative amounts are in parenthesis.

In order to facilitate understanding of the figures, the rows and columns of the Statement of Changes in Equity were inverted with respect to the same statement layout provided for by the above Bank of Italy Circular No. 262/2005. The statement shows the composition and movements of the shareholders' equity items during the reporting year and in the previous one, broken down into share capital (ordinary shares and savings shares), capital reserves, retained earnings reserves, comprehensive income and net profit or loss attributable to the Parent Company's shareholders and to minority interests. The value of treasury shares is deducted from equity.

The statements of cash flows for the reporting period and for the previous one were prepared using the indirect method, based on which cash flows from operating activities are represented by the profit or loss for the year, adjusted for the effects of non-monetary transactions. Therefore, the figures for the previous period were reclassified with the indirect method. Cash flows are broken down into flows generated by operating activities, investment activities and funding activities. Specifically, the profit or loss components as well as all financial assets and liabilities other than those relating to investing activities that generated or absorbed liquidity are represented within the operating activities. The incoming and outgoing cash flows arising from the sale/purchase of property, plant and equipment and intangible assets, equity investments, business combinations or subsidiaries are included in investing activities Financing activities include the flows resulting from the issues or purchases of equity instruments and dividend distributions or for other purposes achieved during the financial year. In the Statement, cash flows generated in the period are reported without sign, while those absorbed are reported with a negative sign.

The Notes to the Financial Statements contains the information required by Bank of Italy Circular no. 262/2005, with its updates, as well as further information required by IAS/IFRS. The notes to the financial statements does not include the sections on items with no amount in FY 2021 or in the previous one. In the notes to the financial statements, negative amounts relating to Part C and Part D are shown in parenthesis.

Bank of Italy – Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" 7th update of 2 November 2021

On 2 November 2021 the Bank of Italy published the 7th update of Circular no. 262 "Banks' financial statements: layouts and preparation" of 22 December 2005 in order to align banks' financial statements to the EU-wide Framework for Consolidated Financial Reporting (FINREP). The update, which consists in a full revision of the Circular, applies to financial statements for reporting periods closed or underway on 31 December 2021.

The main novelties concern the presentation of financial information, namely:
- Of some categories of financial assets, which shall be presented as already provided for in the EU harmonised supervisory reporting framework (FINREP) and in the Bank of Italy Circulars as recently updated.
- Of intangible assets, for which specific evidence is required of software that is not an integral part of the related hardware pursuant to IAS 38;
- Of the information breakdown on fee and commission income and expenses;
- Of the contributions and commitments to pay contributions to the resolution fund and deposit guarantee schemes, of which separate disclosure is required in the relevant items.

The changes made also implement the novelties introduced by the amendments to IFRS 7 on disclosure of financial instruments which were endorsed with Regulation EU) 2021/25 entered into force on 1 January 2021 and introduced specific disclosure requirements about the benchmark reform for determining interest rates on financial instruments (please, see the related paragraph in section 1 of this notes to the financial statements).

Specifically, the information contained in the Balance Sheet regarding asset items "Cash and cash equivalents" and "Financial assets measured at amortized cost" was changed as follows:
- All demand accounts in the technical forms of current accounts and demand deposits due from banks and claims on Central Banks shall be recognized under item "Cash and cash equivalents", except for the reserve requirement. Therefore, item "Financial assets measured at amortized cost" reports also due from banks and claims on Central Banks other than demand accounts, which are reported in item "Cash and cash equivalents".
- The Income Statement layout has been changed subsequent to the changes made to the Balance Sheet. Specifically, item "Net adjustments/recoveries for credit risk" was changed in order to report also net adjustments/recoveries for credit risk on demand due from banks and Claims on Central Banks, which are reported under item "Cash and cash equivalents";
- In the notes to the financial statements, the breakdown of item "Cash and cash equivalents" has been changed in order to make it consistent with the same asset item of the Balance Sheet including the breakdown of demand deposits and current accounts with Banks and Central Banks". Furthermore, regarding adjustments/recoveries for credit risk to/on financial assets measured at amortized cost, net adjustments to demand due from banks and claims on Central Banks recognized under item "Cash and cash equivalents" are conventionally to be set forth specifying their amount, if material, at the bottom of the table.

In order to ensure smooth comparison of balance sheet aggregates, the comparison period as at 31 December 2020 was reclassified. The tables below summarize the reclassifications of the data as at 31 December 2020. The data re summarized in thousands of Euros.

ASSET ITEMS	31 Dec. 2020 Reclassified	31 Dec. 2020 Official	Difference
10. Cash and cash equivalents	196,278	173,103	23,175
40. Financial assets measured at amortized cost - a) Due from banks	1,449,261	1,472,436	-23,175

Statement of Cash Flows -Reconciliation	31 Dec. 2020 Reclassified	31 Dec. 2020 Official	Difference
Opening cash and cash equivalents	196,278	173,103	23,175

1.1 - Cash and cash equivalents: breakdown	31 Dec. 2020 Reclassified	31 Dec. 2020 Official	Difference
10. Cash and cash equivalents - c) Demand deposits and current accounts with banks	23,175	-	23,175

4.1 - Financial assets measured at amortized cost – a) breakdown of due from banks by type	31 Dec. 2020 Reclassified	31 Dec. 2020 Official	Difference
B. Due from banks - 1. Loans - 1.1 Current accounts and demand deposits	-	23,175	-23,175

In accordance with FINREP, for portfolios “Assets measured at fair value through other comprehensive income” and “Financial assets measured at amortized cost”, the disclosure on “Purchased or Originated Credit Impaired assets ”has been excluded from the reporting by risk stages and separately reported (the same approach has been adopted for the income statement disclosure “net adjustments/recoveries for credit risk”). Consequently, having regard to the figures stated as at 31 December 2020, in tables 4.2, 4.3 and 4.4 of PART B and in table 8.1 of PART C, the amount of “Purchased or Originated Credit Impaired assets” was separately reported, adjusting at the same time the amount reported in the Third Stage column.

Bank of Italy – communication of 21 December 2021 - Update of the provisions supplementing Circular no. 262 “Banks’ financial statements: layouts and preparation” concerning the impacts of the Covid-19 pandemic and of the measures to support the economy.

With its communication of 21 December 2021, the bank of Italy published the supplemented provisions governing banks’ financial statements (Circular no. 262 of 2005) in order to provide the market with information on the effects that the Covid-19 pandemic and the measures to support the economy generated on the strategies, objectives and risk management policies, as well as on the profitability and financial situation of intermediaries. The update of the supplemented provisions published in December 2020, taken into account the developments in the EU legislation on the treatment of moratoria, the recent updates of supervisory reporting and financial reporting circulars and the Covid-related amendments to IFRS 16 “Leases”:. Due to the temporary nature of the Covid-19 emergency and of the support measures, the supplemented provisions on financial reporting related thereto shall be in force until the Bank of Italy communicates otherwise.

The Bank of Italy confirmed its expectations that specific qualitative and quantitative disclosures be rgiven in the tables in the Notes to the financial statements, specifically in Part B (Information on the Balance Sheet), Part C (Information on the Income Statement) and Part E (Information on risks and relative hedging policies), regarding loans under “moratoria” or other concession measures in force as at the reporting date, or loans providing new liquidity and backed by public guarantees.

Gross exposure and total adjustments to loans under Covid-19-related support measures shall be reported broken down by credit risk stage and “purchased or originated credit impaired”. Furthermore, the disclosure shall extend to the loans under moratoria, assessed as compliant with EBA/GL/2020/02 as at the concession date and no longer compliant as at the reporting date, which have not been classified by the bank as “forborne exposures” (as defined in the supervisory reporting provisions in force) subsequent to the event that generated their non-compliance with EBA/GL/2020/02.

SECTION 3 – EVENTS OCCURRED AFTER THE REPORTING DATE

Please, see the Management Report to the Consolidated Financial Statements, section on significant events occurred after the reporting date. Those events generated no effects on the balance sheet and income statement as at 31 December 2021.

SECTION 4 – OTHER ASPECTS

1. New IAS/IFRS

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2021

In compliance with IAS 8, the table below reports the new international accounting standards or the amendments to standards already in force, along with the Regulations endorsing them, that shall mandatorily be applied for reporting periods starting on or after 1 January 2021.

Standards, amendments or interpretations	Publica tion date	Date of first application
Amendment to IFRS 4 Insurance Contracts Temporary Exemption from Applying IFRS 9	16 December 2020 (EU No. 2020/2097)	1 January 2021
Amendments to IAS 39, IFRS 7 and IFRS 9 – Interest rate benchmark reform – Phase 2	14 January 2021 (EU No. 2021/25)	1 January 2021
Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions (2nd amendment)	31 August 2021 (EU No. 2021/1421)	1 April 2021

Information outlined above on the new standards and on the amendments thereto applying to reporting periods starting on or after 1 January 2021 is broken down below.

Amendment to IFRS 4 - Insurance contracts.

On 18 May 2017, the International Accounting Standard Board (IASB) published the new IFRS 17 "Insurance contracts", which shall replace IFRS4 IASB postponed the entry into force of the new standard, which was initially applicable to reporting periods starting on or after 1 January 2021 and is now applicable to reporting periods starting on or after 1 January 2023 (standard endorsed by the EU with Regulation (EU) 2021/2036). On 16 December 2020, Regulation (EU) 2020/2097 laying down amendments to IFRS 4 was published on the Official Journal of the European Union. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and, thus, to address the temporary accounting consequences of the different effective dates of the two standards. These amendments will generate no impacts on Credito Valtellinese

Interest Rate Benchmark Reform

In 2019 Creval designed the process to be implemented to address material changes or termination of benchmark rates used to set the conditions applying to financial instruments and financial contracts with Customers, in line with the Italian applicable legislation (Italian Legislative Decree no. 191 of 13 February 2019) and Regulation (EU) 2016/1011, BMR – Benchmarks Regulation).

Therefore, Creval formalized the management rules and operational practices adopted to:
- Identify the termination or substantial change in any benchmark;
- Verify the impact of said modifications on profit or loss;
- Prepare the consequent actions in terms of massive changes to the contracts in force;
- Send the relevant notices to customers;
- Change interest rates in accordance with the applicable legislation in force at the relevant time.

The approach adopted by Creval on a prevailing basis was to renegotiate the contracts in force before the termination of the benchmarks, aiming at full compliance with the deadlines set by the market and by the competent authorities. It is also worth noting that Creval exposures to benchmark rates that are going to be terminated (LIBOR and EONIA) are very modest in terms of both number of contracts and amounts. Specifically, those exposures mainly concern syndicated loans and trading or hedging derivatives.

As at 31 December 2021, the breakdown by material benchmark rate of the instruments based on old benchmark rates and to be transitioned to the new benchmarks before their maturity was as follows (amounts in thousands of Euros):

	EONIA	USD LIBOR	GBP LIBOR	LIBOR JPY	CHF LIBOR	LIBOR EUR
Total financial assets (excluding derivatives)	-	3,059	412	-	-	-
Total financial liabilities (excluding derivatives)	-	-	-	-	-	-
Total notional value of derivatives	-	-	-	-	-	-

It is also reported that the set of hedging instruments affected by the reform and on which uncertainties remain consists of a single contract linked to EURIBOR, and having a nominal value of Euro 300 million.

Amendments to IFRS 16 “Leases”: Covid-19-Related Rent Concessions

In 2020, the IFRS Foundation approved an amendment to IFRS 16 in order to clarify how Covid-19-related concessions should be recognized by lessees that prepare their financial statements in accordance with IAS/IFRS.

In accordance with that amendment, which was endorsed by the EU on 12 October 2020 with the publication of Regulation (EU) 2020/1434, lessees are exempt from the obligation to assess whether the Covid-19-related concessions are lease contractual modifications, allowing them to be qualified as “variable rent” directly through profit or loss, in order to report the changes in the payments due.

On 31 March 2021, the IASB issued document “Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)” whereby the eligibility period for the application of the amendments to ’IFRS 16 (paragraphs 46A and 46B) concerning Covid-19-related rent concessions was extended by one year (from June 2021 to June 2022). This amendment was endorsed by the European Union with Regulation (EU) 2021/1421 of 30 August 2021. Credito Valtellinese did not apply the practical expedient.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT NOT YET ENTERED INTO FORCE

For its financial statements as at 31 December 2021, the Bank did not adopt standards and interpretations that, on 31 December 2021, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2022.

Standards, amendments or interpretations amendments or interpretations	Publica tion date	Date of first application
Annual Improvements 2018-2020 IFRS1 First time adoption IFRS- Translation differences IFRS9 Financial instruments–Test for the recognition of a substantial modification of a financial liability IAS41 Agriculture – Fair value of a biological asset	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework 2018 on the definition of assets and liabilities	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use	02 July 2021 (EU 2021/1080)	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Costs considered in assessing whether a contract is onerous	02 July 2021 (EU 2021/1080)	1 January 2022
IFRS 17 Insurance Contracts (including Amendments to IFRS 17) (not applicable to the Crédit Agricole Italia Banking Group)	23 November 2021 (EU No. 2021/2036)	1 January 2023

Credito Valtellinese did not exercise the option for early adoption of the Regulation in force as of 1 January 2022, as where applicable, the amendments are not expected to generate any material impacts on its financial situation and profit or loss.

As already reported, IFRS 17 Insurance Contracts published in May 2017 will replace IFRS 4. It will be applicable to reporting periods starting on or after 1 January 2023. IFRS 17 lays down new principles in terms of measurement and recognition of insurance contract liabilities and measurement of their profitability, as well as in terms of presentation. The standard does not apply to the Bank

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that, as at 31 December 2020, had been published by the IASB but had not yet been endorsed by the European Union are not applicable by the Bank.

Document title	Issued by IASB on IASB	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Amendments			
Amendments to IAS 1 - Presentation of Financial Statements Classification of Liabilities as Current or Non-current	January 2020	1 January 2023	TBD
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	January 2020	1 January 2023	TBD
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 2020	1 January 2023	TBD
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 2020	1 January 2023	TBD
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 2020	1 January 2023	TBD

2. Creval integration in the Crédit Agricole Italia Group

As already said in the Management Report, finalization of its acquisition by Crédit Agricole Italia, Creval no longer qualifies as Parent Company in accordance with the Supervisory Regulations. On 30 April 2021 the Credito Valtellinese Banking Group was struck off the Italian Register of Banking Group and Creval became subject to the management and coordination activities exercised by Crédit Agricole Italia and became part, along with its subsidiaries, of the Crédit Agricole Italia Banking Group.

After the acquisition, the accounting policies were harmonized with those of the Parent Company and non-recurring effects were recognized which resulted from the integration into the new Group consistently with the Parent Company's strategies. The main effects on the financial statements are described below.

Classification and measurement of Financial Assets at amortized cost

In order to align the Policies for the classification and measurement of Loans of Credito Valtellinese with the stricter ones adopted by the Parent Company, the loan portfolio of Creval was measured using the methods of the Parent Company.

The methods provided for by said measurement policies are outlined in the Part on Accounting Policies. More specifically, the application of the different classification criteria caused some positions to be reclassified from performing to non-performing. In quantitative terms, their measurement in accordance with the new policies, along with the review of the expected collection flows and the different measurement of the guarantees backing non-performing exposures, entailed the recognition of higher adjustments in an amount of Euro 308.1 million under income statement item 130. "Net adjustments/Recoveries for credit risk".

The portfolio of Financial assets at amortized cost classified at Stages 1 and 2 (performing portfolio) was measured on a collective basis with a measurement model that was aligned with that of the Parent Company by applying *management overlay and post model adjustment*. This entailed the recognition of higher adjustments amounting to Euro 20.7 million under income statement item 130. "Net adjustments/Recoveries for credit risk".

Determination of the fair value O.I.C.R. units

In order to align the measurement policies to those adopted by the Parent Company, the method to determine the fair value of financial instruments was changed.

The main changes concerned the measurement of O.I.C.R. collective investment undertakings units held and classified in the "Financial Assets mandatorily measured at fair value" portfolio. Specifically, a liquidity discount was applied to the NAV, which varies in accordance with the type of fund (25-50% range). This entailed a decrease in value of Euro 49.2 million recognized under income statement item 130. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss: of b) of other financial assets mandatorily measured at fair value".

Measurement of real estate assets and rights of use

In order to align the methods to measure the value of property to the ones used by the Parent Company, the real estate assets of Creval and its subsidiaries were appraised by an independent expert appointed by Crédit Agricole Italia with the methods it uses. The adopted measurement approach was also set based on the new plan for property use. The measurement takes into account the intended use of the property decided by the Parent Company.

As regards operating property, the approach aims at enhancing continuity in the use of operating property as offices/branches, (thus assuming their continuing in use), On the other hand investment property assets are considered free and available, also wit the possibility of selling them in the short term and taking into account management costs until the date of disposal.

The adopted approach provides for discontinuance of use (that is to say, classifying said property as investment rather than operating), also in case of management office buildings, in view of the implementation of a programme for the optimization of premises and rationalization of the distribution network . As regards market aspects, the measurement methods take into account the changes generated in market conditions by the Covid-19 pandemic and by the ongoing uncertainty.

As at 31 December 2021 the change in the bases of measurement determined a negative impact on profit or loss of Euro 72.3 million, which was recognized in income statement item 180. "Net adjustments to/recoveries on property, plant and equipment".

Moreover, additional adjustments to rights of use were recognized, mainly rights of use on operating property for a total amount of Euro 7.3 million, which were recognized under income statement item 180. "Net adjustments to/recoveries on property, plant and equipment".

Integration expenses and provisioning for risks and charges

The integration of Creval and its subsidiaries into Crédit Agricole Italia is going to generate expenses ("Integration expenses") which will be incurred for handling the IT migration and the operational and organizational integration and for coordinating the activities of the project streams. Specifically, these are the costs for the purchase of assets and services strictly related to the above-described processes. In addition, some property, plant and equipment and intangible assets (Hardware and Software) will no longer be used after the merger into the Parent Company, with the subsequent IT migration. The review of the possibility of use in the future led to the write-off of Hardware and software for a total amount of Euro 14 million, which was recognized under income statement item 180. "Net adjustments to/recoveries on property, plant and equipment" and item 190 "Net adjustments to/recoveries on intangible assets".

The alignment of the methods to estimate potential charges for pending disputes or items to be returned within the disposals of non-performing loans made in previous years, along with the recognition of possible charges for early termination of multi-year agreements for the distribution of products and provision of services, entailed the recognition of provisions in the income statements totalling Euro 82.9 million under item 170."Net provisioning for risks and charges b) other net provisions".

Recognition of discontinuing operations subsequent to the demerger of the leasing business unit and the transfer of Creval PiùFactor scheduled for 2022

Consistently with the business model structured based on business lines and with the industrial logics of the Group led by Crédit Agricole S.A., in 2022 Creval service model is going to be reorganized and rationalised transferring the factoring activities, carried out by Creval Più Factor, to the Group's entity operating in the specific line of business. The above will be achieved through the demerger of the leasing business unit and the transfer of the 100% equity investment held in Creval Più Factor.

These exposures have been reclassified under item 110. "Non-current assets held for sale and discontinued operations as the conditions laid down in this regard by IFRS 5 are met. A portfolio of exposures belonging to the leasing business unit to be demerged was measured updating the estimated expected loss in order to reflect the probability of selling it on the market. The resulting effect amounting to Euro 22.3 million was recognized under item 130. "Net adjustments/Recoveries for credit risk".

Generational Turnover

With the agreements signed with the Trade Unions in October and December, the CA Italia Group took an important step towards generational turnover, which will consist, on the one hand, in the recruitment of 550 young people and in concerting 200 fixed term contracts into indefinite term ones and, on the other hand, in incentives to voluntary redundancy for about 1,100, resources, of whom about 190 of Creval, and the use of the Voluntary Redundancy Fund, with about 200 people going into early retirement.

To account for said agreements, in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", expenses amounting to Euro 37.8 million were recognized under income statement item 160. a) "Personnel expenses".

Disposal of an NPE portfolio (Stelvio project)

Within the wider action for de-risking and asset quality improvement of the CAI Group, on 17 December 2021 Crédit Agricole Italia S.p.A. (the "Parent Company"), Crédit Agricole FriulAdria S.p.A. and Creval S.p.A. finalized the securitization of a portfolio of bad loans for a gross amount of about Euro 1.55 billion. Creval took part in the transaction with a portfolio of about Euro 263 million.

The securitization meets the regulatory requirements for being backed by Italian State Guarantee on Securitization of NPLs (GACS). The senior notes were assigned an investment grade rating (BBB)by rating agencies DBRS Morningstar, Scope Ratings and Arc Ratings. The Parent Company subscribed all senior notes and applied for the GACS guarantee.

The effects of this disposal have been recognized under income statement item 100. "Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost".

Deferred Tax Assets (DTA): probability test

The recognition of deferred tax assets (DTA), other than those that can be transformed into tax asset, is strictly related to the Bank's ability to generate sufficient future taxable income.. The probability test was carried out for recognition purposes. The test consists in simulating the capacity to recover the deductible temporary differences and tax losses accrued at reporting date with future taxable income

After Creval became part of the Crédit Agricole Italia Group, as at 31 December 2021 the probability test was conducted by the Parent Company Crédit Agricole Italia S.p.A. and confirmed total recoverability of the DTA. Said verification was performed having regard to Article 1, paragraph 233 et seq.. of Italian Law no. 178 of 30 December 2020, for the merger by absorption of Creval into Crédit Agricole Italia, scheduled for April 2022, under which Deferred Tax Assets- (DTA) relating to tax losses carried forward or to Corporate Equity Allowance (ACE) excess not used until the 2020 tax period, whether on-balance-sheet or off-balance-sheet, can be converted into tax credits.

The probability test calculation was based on the estimates of the future profits and losses used for the Group impairment test. The test showed that the recognized DTA for tax losses cane be reasonably expected to be recovered over a modest time horizon, which, in the most likely scenario, is five years.

The deferred tax assets regarding deductible temporary differences recognized totalled approximately Euro 253.1 million, of which about Euro 37 million recognized on the amount of adjustments to loans recognized upon the first-time adoption of IFRS 9 in FY 2018.

Deferred tax assets resulting from tax losses were recognized in the amount that is justified by the possibility of their recovery:

- For Euro 239 million regarding the stock of losses made before 31 December 2020, given the resolution adopted by the Board of Directors of Crédit Agricole Italia to exercise the option for their conversion into tax credits following the merger by absorption of Creval, under Article 1, paragraphs 233-243 of the 2021 Italian Budget Law. In this regard, please note that the higher amount of DTAs recognized in 2021 is of approximately Euro 178 million.
- For Euro 117.5 million resulting from the estimated tax loss for the 2021 tax period, with future taxable income, in accordance with the probability test outcome.

3. Risks, uncertainties and impacts generated by the Covid-19 epidemic

Nearly two years after the outbreak of the Covid-19 pandemic, its impacts and effects on public health, economic activity and trade continue to affect the present and forward-looking scenario in which Credito Valtellinese operates and will operate. In 2021 the macroeconomic scenario gave some positive signs, with strong growth as several restrictive measures were lifted and vaccination spread; trade went back to its pre- pandemic levels, but later on in the year the spread of new variants (Delta and Omicron), tensions in the procurement of commodities and intermediate inputs, partly associated with the very fast growth, which caused "bottlenecks" throughout the value chains worldwide on the supply side along with the considerable increase in the prices of several commodities slowed down investments and production and contributed to boosting inflation globally.

Albeit in this very complex scenario still featuring deep uncertainty on the time to and features of recovery in productive activities, on the extent and duration of the measures deployed by Governments to provide support to households and businesses and the EU monetary policy adjustments, the analyses performed by the governance bodies using the available information gave evidence that Credito Valtellinese will be able to meet the risks and uncertainties caused by this scenario.

The assessment giving evidence of the Bank's ability to continue as a going concern is based on the capitalization it has reached (fully-loaded CET1 ratio stood at 16%), its present liquidity and the healthy and prudent management that has always been a distinctive feature of the CAI Group, ensuring steady development through sustainable growth strategies.

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which Credito Valtellinese will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of Credito Valtellinese's assets.

The macroeconomic forecasts and the measurement models used were prepared before the worsening in the geopolitical tension that led to the military invasion of Ukraine by Russia. That event is an uncertainty factor for the developments in the macroeconomic scenario in which Credito Valtellinese will have to operate. Any assessment of the consequences on the economy materially depends on how the situation will evolve; therefore, all the scenarios designed and described for 2022 will have to be reviewed and will be subject to changes that, for the time being, cannot be quantified and that may impact on the estimates and assumptions used to prepare the 2021 annual report and financial statements.

In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period.

Many were the accounting-related communications and measures issued by the various Supervisory Authorities, which gave recommendations on disclosures and transparency expected of financial institutions on the consequences of the Covid-19 pandemic; the list presented in section 2 of this Notes to the financial statements contains the main communications and interpretations, which were referred to in preparing the annual report and financial statements.

In its public statement "European common enforcement priorities for 2021 annual financial reports", published on 29 October 2021, ESMA emphasized once again the importance of the oversight that management and supervisory bodies of issuers must ensure in the quality of financial reporting, with special focus on:

- Impacts generated by the Covid-19 pandemic.
  Given the pandemic persistence and the volatile recovery in many sectors of the economy, ESMA calls for a careful assessment of the longer term impacts of the COVID-19 pandemic on issuers' activities, financial performance, financial position and cash flows. In this regard, ESMA reiterates many aspects of the message it gave in its 2020 statement about the importance of the information given in the financial reports on the going concern assumptions, (time horizon of at least 12 months), significant judgements expressed by the management, the uncertainty of estimated impairment of assets and recognition of DTA for tax losses.
- Calculation of the Expected credit loss for financial institutions and exposure staging
  Higher disclosure than provided in the 2020 financial reports is expected in the representation of the ECL calculation models regarding management overlays, as per IFRS 7: adjustments of internal inputs to the model or post-model adjustments must be appropriately represented in terms of both their application logics and quantitative effects on exposure coverage and staging. ESMA confirms its expectation that

extensive disclosure be given of any material changes in measurement approaches and assumptions vs. the previous period, explaining the reasons for said changes, in order to ensure that developments in loss allowance be understood.

In compliance with FRS 7, ESMA reminds issuers to disclose the basis for inputs (qualitative and quantitative factors) and assumptions and the estimation techniques used to determine whether a significant increase in credit risk (SICR) has occurred; for exposures under support measures, issuers are expected to clearly explain how these measures have impacted the assessment of SICR.

Lastly, as done for 2020 financial reports, ESMA encourages issuers to provide specific information on the judgements and estimates at the basis of the forward-looking scenarios, giving evidence of the main macroeconomic variables and related sensitivity.

- In the Statement, ESMA also emphasizes the importance of consistency between financial reports in accordance with the IFRS and non-financial statements (NFS), the climate-related risks issuers and their non- financial assets may be exposed to in the long term.

4. Covid-19 effects

To address the emergency experienced in 2020, the banking system has strengthened its policies for the monitoring, management and control of risks, especially of credit risk. The extraordinary measures deployed by Credito Valtellinese in favour of businesses and households ensured strong support to customers, while constant attention was paid to the credit quality of the originated loans and to the assessment of their recoverability. Given the impact of the crisis caused by the Covid-19 pandemic, as early as in 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis, also with new review processes supplementing ordinary ones. In 2021 the evolution in the situation related to the pandemic was monitored, assessing time by time any impacts on the main estimates. Reasserting the Group's commitment to providing tangible response and its will to stand by those Customers that have been worst hit by the health emergency, the program comprises solutions to ensure liquidity to all the Group's Customers, also through the measures laid down by Italian Liquidity Decree Law of 8 April 2020 and the law enacting it: In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 31 December 2021, Credito Valtellinese had participated in the origination of loans backed by state guarantees for an amount of approximately Euro 1.7 billion.

Covid-19 had impacts also on the management of lending practices. In fact, the Bank, in the face of the economic and social consequences of the health emergency, supported households and businesses in its regions, with initiatives of an extraordinary nature. In the form of moratoria and new liquidity relying also on public guarantees. It concomitantly started an effective monitoring scheme and a plan to assist enterprises in obtaining moratoria and to identify the appropriate actions to ensure return to normal at the expiry of the extraordinary measures.

Responding to the uncertainty generated by the scenario, the usual procedure to determine adjustments to performing and non-performing loans was adapted to the situation. In the models to determine forward-looking adjustments, more conservative macroeconomic scenarios were included than the ones obtained from the providers used by the Bank with subsequent preventive activation of the SICR threshold. Moreover, exposures to enterprises operating in the sectors hardest hit by the pandemic classified in Stages 2 and 3 were measured on a "stressed" basis. The adjustments to financial assets at amortized cost comprise said effects.

For more exhaustive information, please see Part E of the Notes to the Financial Statements.

5. Covid-19-related contract modifications

Contract modifications and derecognition (IFRS 9)

In March 2020, Credito Valtellinese started to give its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period. The offered suspension measures were progressively aligned with the applicable legislation ("Cure Italy" Decree Law and afterwards the "Support-bis Decree Law) and with the agreements between the Italian Banking Association and the trade associations, which the Bank immediately signed in order to ensure the utmost possible protection to its Customers. Therefore, Throughout 2021, Credito Valtellinese continued with the measures for payment suspension, both those provided for by the Italia Law and those under the agreements between the Italian Banking Association and Trade Associations. Customers in the Individuals segment could:

- Obtain, throughout the year, the suspension of payment of the full instalment for up to 18 months for home loans for primary residence (so-called Gasparrini Fund);
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only for 9 months (Italian Banking Association-Trade Associations Second Agreement).

On the other hand, Corporate Banking Customers could:

- Obtain the suspension of payment of the full instalment or of the principal repayment portion only up to 30 June 2021 ("Cure Italy" Decree Law) applying for the suspension by 31 January 2021;
- Apply, until 31 March 2021, for suspension of payment of the full instalment or of the principal repayment portion only (Italian Banking Association-Enterprises in Recovery 2.0).

Furthermore, the first extension was finalized concerning the moratoria under the "Cure Italy" Decree Law which were in force as at 31 January 2021 and as at 31 March 2021 (for the tourism sector), automatically postponing their expiry to 30 June 2021, unless the moratoria were specifically renounced by customers.

The second and last extension of the moratoria under the "Cure Italy" Decree applied to all the measures in force as at 30 June 2021 for which customers had explicitly applied for postponement of expiry to 21 December 2021.

The moratoria Credito Valtellinese offered to its Customers consisted in postponing the payment schedule (in case payment of the full instalment is suspended, the date of interest collection was also postponed), which caused no material impacts on the present value of the exposures under moratoria; therefore, applying modification accounting, no profits or losses resulting from said concessions have been recognized. Furthermore, the moratoria falling within the EBA Guidelines scope did not, as a rule, entail the classification of the exposure as forborne or its automatic classification in stage 2 with consequent calculation of the related lifetime expected loss. Consistently with the approach indicated by the ECB, the classification as Unlikely to Pay of Customers that benefited from moratoria was not based solely on their application for said concession, but also on forward-looking assessments of said positions, strengthening the monitoring processes on priority portfolios.

Because of the selective extension of the suspension of bank loan repayment, in 2021 moratoria were reclassified as either compliant or non-compliant with the EBA guidelines, based on whether the overall duration of repayment suspension exceeded nine months. The tables in Part B and Part E of this Notes to the financial statements, as required under the 2021 update of Bank of Italy Circular no. 262, show the stocks as at the reporting date.

As at 31 December 2021, the loans under moratoria amounted to Euro 370 million.

The accounting treatment of said concessions in favour of Customers was in accordance with the reference regulatory framework defined by the documents issued by the Regulator, and specifically by the EBA, in 2020 and therefore already applied in preparing the annual report and consolidated financial statements as at 31 December 2020.

Given the crisis, the monitoring processes on priority portfolios have been strengthened. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends.

In order to forestall any potential latent risk situation, as done at the end of previous FY, Credito Valtellinese applied a stressed measurement approach to the positions potentially most at risk of impairment because of the pandemic crisis. Within the cluster of positions classified as Stage 2, the product sectors considered to have "higher Covid-19 risk" were selected and prudential adjustments were made in the determination of the related provisions, calculated using the forward-looking expected loss model required by IFRS 9.

The quantitative analysis of the perimeter of forborne exposure and of the post-model adjustment impacts is reported in Part E of this Notes to the financial statements.

IFRS 16 – Covid-19-related concessions

Credito Valtellinese did not apply the practical expedient.

6. Other information

Audit of the accounts

The Annual Report and Financial Statements are audited by PricewaterhouseCoopers S.p.A, implementing the Resolution passed by the General Meeting of Shareholders on 18 June 2021, whereby this Firm was assigned the audit task for the period 2021-2029.

Publication of the Annual Report and Financial Statements

The Board of Directors approved the draft Annual Report and Financial Statements as at 31 December 2021 of Credito Valtellinese and authorized their publication on 17 March 2022, pursuant also to IAS 10.

Publication of the Annual Report and Financial Statements in ESEF

Directive 2013/50/EU – amending Directive 2004/109/EC (so-called "Transparency Directive") laid down that, as of 1 January 2020, the Annual Reports and Consolidated Financial Statements of issuers whose securities are admitted to trading on a regulated market shall be prepared in a single communication electronic format. Considering the difficulties that enterprises faced because of the Covid-19 pandemic, the Directive on transparency was amended giving the Member States the power to postpone the aforementioned obligation. With the so-called "Milleproroghe" Decree Law, Italy exercised said power and established that the ESEF Regulation would apply, for Italian companies "to the financial reporting for periods starting on or after 1 January 2021".

Nonetheless, Credito Valtellinese qualifies for the exemption under Article 83 of CONSOB Issuer Regulation, which reads "*Obligations for the preparation and publication of financial reports as envisaged in article 154- ter of the Consolidated Law shall not apply to: (...) b) issuers whose home Member State is Italy, which exclusively issue debt securities listed on a regulated market whose unit par value comes to at least 100.000 Euros, or an equivalent value in the event of currencies other than the Euro. (...)*".

For this reason, the Annual Report and Separate Financial Statements of Credito Valtellinese as at 31 December 2021 will not be published in ESEF format.

Option for the Italian national tax consolidation

SUMMARY OF THE OPTIONS OF TAX CONSOLIDATION AS AT 31 DECEMBER 2021

	Year in which the option was exercised	Three-year period of the option
Stelline Real Estate S.p.A.	2019	2019-2021
Creval PiùFactor S.p.A.	2019	2019-2021

In 2021 2021 no changes occurred in the perimeter of the member entities of the tax consolidation scheme of which Creval S.p.A. is the consolidating entity.

Option for the VAT Group

In September 2021, Creval exercised the option, with effects as of 1 January 2022, to join the VAT Group of Crédit Agricole Italia pursuant to Article 1 paragraph 24 of Italian Law no. 232 of 11 December 2016 was exercised, with effects as of 1 January 2022; the VAT Group includes the subsidiaries of Crédit Agricole Italia having, at the same time, financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.

Crédit Agricole Italia is the Group's Representative Member. Subsequent to some mergers by absorption and to the entry of anew entities, the perimeter of the VAT Group, initially of 15 entities, consisted of 11 entities of the Group as at 31 December 2021. Thanks to this scheme, the member entities operate, for VAT purposes, as a single taxable person in their transactions with external companies, with a single VAT registration number. The main advantage generated by the exercise of this option is that, in general, the transactions between the Group member entities are not subject to VAT.

A.2 PART REPORTING ON THE MAIN FINANCIAL STATEMENT ITEMS

The IAS/IFRS that were adopted for the preparation of the annual report and separate financial statements as at 31 December 2021 are given below broken down by financial statement item, having regard to classification, recognition, measurement and derecognition of asset and liability items, as well as the methods to recognize revenues and costs. Said standards are the same ones used for the preparation of the annual report and separate financial statements as at 31 December 2020.

Financial instruments (IFRS 9, IAS 39 and IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:

- Classification and measurement of financial instruments;
- Impairment of exposures for credit risk deterioration;
- Hedge accounting, excluding macro hedging.

Credito Valtellinese exercised the option given within the IFRS 9 first-time adoption to continue to fully apply IAS 39 on hedge accounting, pending the application of the future provisions contained in the new "dynamic risk management accounting model".

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

The IFRS 13 definition of fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method for debt instruments or at fair value. Derivative instruments shall always be measured at fair value.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition, including the transaction costs that are directly attributable to its acquisition or issue, minus principal repayments, plus or minus the cumulative amortization calculated using the effective interest (EIR) method of any difference (discount or premium) between that initial amount and the maturity amount. In case of a financial asset measured at amortized cost or at fair value through other comprehensive income, its amount may be adjusted, where necessary, as impairment.

The effective interest rate (EIR) is the rate that discounts the estimated future cash flows (paid or collected) from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:

- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost; (for debt instruments only);
- Financial assets at fair value through equity (with recycling to profit or loss for debt instruments, without recycling to profit or loss for equity instruments).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:

- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- equity instrument.

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI test"), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to order to pursue a set corporate objective, thus representing the strategy of the Bank in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

There are three business models:

- Hold to Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity; however, any sale of the assets is subject to restrictions in terms of frequency and significance. Sales may be carried out in the financial year below a materiality threshold.
- Hold to Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted;
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of securities are allowed for the following reasons:

a) Increase in credit risk;
b) Debt instruments close to maturity;
c) The sales are frequent but not significant;
d) Infrequent sales.

Specifically:

a) Sales allowed due to an increase in credit risk

Credito Valtellinese has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;
- Market indicators:
  - Material increase in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
  - Material evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) Sales permitted as the debt instruments are close to maturity

Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

- Time to maturity considered admissible of 6 months;
- A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking fair value hedge effects into account).

c) Frequent but not significant sales

Sales may be carried out in the financial year not exceeding 15%.

d) Infrequent sales .

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact in terms of higher tax expenses;
- Non-recurring transactions (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

Sales of loans are allowed for the following reasons:

- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- The sales are frequent but not significant;
- Infrequent sales that are potentially significant.

Specifically:

a) Sales allowed due to an increase in credit risk

Credito Valtellinese has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

b) Sales permitted as the loans are close to maturity

The sales of loans in the Hold to Collect portfolio shall be allowed if all the following criteria set by Credito Valtellinese are met:

- The financial assets to be sold have residual life of less than 6 months;
- The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
- The difference between the sale price and the amortized cost of the loan shall not be higher than 3% without taking into account fair value hedge effects.

c) Frequent but not significant sales

In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) Infrequent sales .

- Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for Credito Valtellinese;
- Non-recurring transactions (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
- Changes in the applicable legislation or regulations;
- Need to strengthen capital requirements.

The contractual characteristics ('Solely Payments of Principal & Interest' or SPPI test):

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a «look-through» approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the SPPI test can be presented with the chart below:

Debt instruments		Management models		
		HTC	HTCS	HTS
SPPI testing	Passed	Amortized cost	Fair value through equity with recycling to profit or loss	Fair value through profit or loss
	Not passed	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

Debt instruments at amortized cost

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of loans, receivables and fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk".

Debt instrument at fair value through equity without recycling to profit or loss

Debt instruments shall be measured at fair value through equity with recycling through profit or loss if they are eligible for the HTC&S model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs. The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling through profit or loss) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to value adjustments for expected losses in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk" (without any resulting impacts on the fair value on the balance sheet).

Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:

- The instruments are classified in the portfolio held within the Other Business Model: financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from price fluctuations in the short-term or from the profit of the operator. Although contractual cash flows are collected in the period in which the Bank holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the SPPI test requirements. This is for example the case of O.I.C.R. collective investment undertakings (open-end funds and closed-end funds);
- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

Debt instruments in this category are recognized as their settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss (FVTPL) unless an irrevocable option for their measurement at fair value through equity (in this case "without recycling") is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). These assets are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet.

Equity instrument at fair value through equity without recycling to profit or loss (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity (without recycling to profit or loss) may be exercised for each single transaction and shall apply as of the date of initial recognition. These financial instruments are recognized at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss if:

- The entity's right to collect their payment is set;
- It is likely that the economic benefits associated with the dividends will go to the entity;
- The dividend amount can be reliably measured.

Reclassification of financial assets

In the very few cases of a significant change in the business model used for managing financial assets (which, in accordance with the standard, may occur new activity, acquisition of entities, disposal or discontinuation of a business line), a reclassification of these financial assets is necessary.

In such cases, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

Where any "Financial assets measured at fair value through profit or loss" is reclassified under "Financial assets measured at amortized cost", the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for credit risk staging in order to estimate impairment. Where the financial asset is reclassified under "Financial assets measured at fair value through other comprehensive income", the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss. If the financial asset is reclassified to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, cumulative profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification. If the entity reclassifies a financial asset to measured at fair value through profit or loss, the financial asset shall continue to be measured at fair value. The cumulated profit (loss) previously recognized in the other component of comprehensive income shall be reclassified from equity to profit b(loss).

Reclassification is not allowed for equity securities.

Temporary investments in/disposals of securities

Temporary disposals of securities (loans of securities, securities disposed of under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or group of financial assets) is fully or partially derecognized if:

- The contractual rights to the cash flows from the financial asset expire;

- The contractual rights to the cash flows from the financial asset are transferred or are deemed as such because they belong de facto to one or more beneficiaries and when substantially all the risks and rewards of the financial asset are transferred.

In this case, any rights or obligations in force at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but some of the risks and rewards of ownership as well as control are retained, the financial assets continue to be recognised to the extent of the entity's continuing involvement in the asset.

Furthermore, impaired financial assets may be derecognized when the entity can no longer reasonably expect to recover the financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim. In that case, the loan gross nominal value remains unchanged, but the gross carrying amount is reduced by the amount written off. The write-off may concern the entire amount of a financial asset or part thereof and is equal to:
- The reversal of total value adjustments as the balancing item of the financial asset gross value;
- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any amounts collected after the write-off are recognized in the income statement as recoveries.

2. FINANCIAL LIABILITIES

Financial liabilities are classified on the balance sheet in the two accounting categories given below:
- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss by their nature

Financial instruments issued primarily to be bought back in the short term, instruments belonging to an identified portfolio of financial instruments which are managed collectively and for which there is evidence of a strategy pursuing short-term profit-taking, and derivatives (with the exception of certain hedging derivatives) are measured at fair value by their nature.

Any changes in the fair value of this portfolio are recognized through profit or loss.

Financial liabilities designated at fair value through profit or loss

Financial liabilities fulfilling one of the three conditions defined by the standard (and described above) may be designated for measurement at fair value through profit or loss: for hybrid issues comprising one or more separable embedded derivatives, in order to reduce or eliminate the distortion of accounting treatment, or in the case of groups of managed financial liabilities for which performance is measured at fair value.

This designation option is irrevocable and applies mandatorily from the date of initial recognition of the instrument.

Upon subsequent measurement, these financial liabilities are measured at fair value through profit or loss for changes in fair value not related to own credit risk and with balancing item through equity without recycling to profit or loss for value changes related to own credit risk.

Financial liabilities measured at amortized cost

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt - equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:
- provide another entity with cash, another financial asset or a variable number of equity instruments;
- exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:
- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be change through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR. This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for- trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value.

At each reporting date, the fair value changes on derivative contracts shall be recognized:
- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:
- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under ”financial assets measured at fair value through profit or loss”.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:

- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Changes in fair value of financial assets or liabilities at fair value through profit or loss;
- Realized gains and losses on disposal of financial assets at fair value through profit or loss;
- Changes in fair value and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through equity

For financial assets recognised at fair value through equity, this item notably reports the following income statement elements:

- Dividends from equity instruments classified as financial assets at fair value through equity without recycling to profit or loss
- Gains (losses) on disposals and net income associated with the termination of hedging relationships on debt instruments classified as financial assets at fair value through equity without recycling to profit or loss
- Net income on disposals or associated with the termination of fair value hedging instruments of financial assets at fair value through equity when the hedged item is sold.

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as assets at fair value through profit or loss or that are not considered derivative instruments in accordance with IFRS 9 are recognized based on the best estimate of the obligation and require provisioning in compliance with IFRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor’s failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:

- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

In accordance with IFRS 9, financial assets not measured at fair value through profit or loss and adjustments shall be determined based on the expected loss over the next twelve months and, if any significant increase in credit risk vs the initial recognition date occurs, based on the expected loss determined over the remaining lifetime of the financial instrument. Financial instruments shall be classified in different stages:

- Stage 1 comprises performing financial instruments for which no evidence has been found of any significant increase in credit risk vs. the date of their initial recognition. Impairment is determined collectively based on the expected loss over the next year (12 months -expected credit loss);
- Stage 2 comprises performing financial instruments for which significant increase in credit risk has been found vs. the date of their initial recognition. Impairment is determined collectively based on the expected loss over the residual life of the instrument (lifetime expected credit loss);
- Stage 3 comprises non-performing financial instruments. Impairment is determined individually based on the expected loss over the residual life of the instrument (lifetime expected credit loss);

Stage 3 comprises non-performing financial instruments classified in accordance with the rules laid down by the Bank of Italy, consistently with the IAS/IFRS and with the EU Supervision rules, as outlined below:

- Bad loans: loans: on- and off-balance-sheet exposures to insolvent customers (even if they have not yet been legally acknowledged as such) or customers in similar positions, regardless of any expected loss formulated by the bank; exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded;
- Unlikely to pay: on- and off-balance-sheet exposures whereby the debtor is assessed by the bank as unlikely to pay its credit obligations in full (for the principal and/or interest) without realisation of collateral, regardless of the presence of any due and not paid amounts (or instalments;
- Non-performing past due: on-balance-sheet exposures other than those classified as bad or UTP, which, as at the reporting date, are past due or overlimit for over 90 days. Regarding the methods to calculate past due loans, the debtor approach is used on all the portfolio positions.

Credito Valtellinese identified the main elements for the transition from the first to the second stage. Specifically, reference is made to the change in the default lifetime probabilities as compared to the initial recognition of the financial instrument determined by the credit quality of each individual relation on each measurement date; moreover, the possible presence of a past due of at least 30 days and/or of forbearance measures were considered, presumptively, to be indicative of a significant increase in credit risk and trigger classification in stage 2. For some categories of exposures, the low credit risk exemption was used; based on this, the exposures in question were deemed in the first stage, since as of the date of transition/recognition they had a rating equal to or greater than investment grade

To determine the expected credit loss with reference to financial assets represented by securities, external providers were used, with the exception of corporate securities for which internal ratings are used where available. External providers are also used with reference to credit exposures to banks and financial companies not represented by securities Moreover, the FIFO method was used to calculate the reversal to the Income Statement of the expected loss recorded in case of sales

To determine the expected credit loss with reference to financial assets classified in the first or second stage and other than those indicated above, specific models were created, based on those used for the definition of internal ratings, for calculating the 12 month expected credit loss and the lifetime expected credit loss. The calculation of expected losses includes forward looking information linked, among other things, to changes in the macroeconomic scenario. With reference to this last aspect, also in consideration of the proportionality criterion, the Group uses the Most likely scenario+add on approach. This approach envisages determining the expected loss in the baseline scenario considered the most probable and used for other purposes (for example, for budget and planning purposes) to which an add on was added to reflect the effects of the possible non- consistency of the expected credit loss compared to macro-economic scenarios

With reference to the expected credit loss of financial assets classified in the third stage, the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the loan. The estimated cash flows take account of the guarantees associated with the loans In the event that the guarantees are not likely to be enforced, account will be taken of either their present value or their realisable value net of expenses to be incurred to recover the amount due The impairment loss is calculated analytically on individual loan positions, with the exception of non-performing loans classified as bad and unlikely to pay that have a limited unitary amount and for past due non-performing loans for which the expected loss is calculated by homogeneous categories according to internal statistical models and analytically applied to each position The assessment of exposures in stage 3 also includes forward-looking factors that adapt the weighed-up probabilities of occurrence of the different future scenarios. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non- performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement Therefore, the expected loss of potentially transferable non-performing loans is defined on the basis not only of the forecast of the recoverable flows through internal management, but also of the forecast of the recoverable flows through their possible sale on the market.

For further information, please see Part E.

Contract modifications of financial assets

When the original contractual conditions are modified by the parties, it is to be verified whether the financial asset shall continue to be recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Bank did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by the bank of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by the bank in its income statement subsequent to the alignment to the current market conditions that are more favourable for its customers.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between said value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition (“modification accounting”).

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances. This concerns all debt instruments, irrespective of the category the security has been classified into based on the deterioration in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion). The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:

- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

“Contract modifications” are, for example, situations in which:

- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of the Bank, having similar risk profiles, could have obtained at that moment in time.

“Refinancing” means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the “restructured/forborne” status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring.

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:
- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

Upon impairment, the portion regarding the passage of time shall be recognized under net interest income.

Purchased or Originated Credit-Impaired (POCI) assets

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as "Purchased or Originated Credit Impaired Assets" ("POCI" assets) and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:
- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the "credit-adjusted effective interest rate" ("Credit Adjusted EIR") or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General framework

In compliance with the decision made by the Crédit Agricole Group, Credito Valtellinese has not applied the "hedge accounting" section of the IFRS 9, exercising the option given by the IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS 9.

In accordance with IFRS 9 and with the IAS 39 hedging principles, eligible fair value and cash flow hedges are debt instruments at amortized cost and at fair value through equity with recycling to profit or loss

Hedging interest rate risk has the objective of immunizing Credito Valtellinese's banking book from changes in the fair value of funding and lending, caused by adverse movements in the yield curve.

Documentation

Hedging relationships shall comply with the following principles:
- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);
- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a floating-rate debt);
- Hedges of net investments in foreign operations have the purpose of protecting the entity against the risk of any unfavourable change in fair value associated with the foreign exchange risk within an investment in foreign operations in a currency other than the Euro.

When an entity intends to use hedges, the following conditions shall be met in order to benefit from hedge accounting:

- Eligibility of the hedging instrument and of the hedged instrument;
- Formalized documentation since inception, specifically including the individual designation and the characteristics of the hedged item, of the hedging instrument, the type of hedging relationship and the nature of the hedged risk;
- Evidence of the hedge effectiveness, at inception (i.e. prospectively) and retrospectively, through tests made at each reporting date.

Measurement

The measurement of the derivative at fair value is recognized as follows:

- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;
- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling to profit or loss for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Cumulative profits and losses through equity are then recycled to the income/through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:

- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity (other comprehensive income); for hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged element affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of the hedged items;
- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

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

CLASSIFICATION

This category comprises the financial assets not classified as "Financial assets measured at fair value through other comprehensive income" or as "Financial assets measured at amortised cost".

The "Financial assets measured at fair value through profit or loss" item consists of three sub-items:

a) *"Financial assets held for trading"*: this category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the "Other" Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);

b) *"Financial assets designated at fair value"*: this category consists of financial assets (debt securities and loans) so designated upon initial recognition and where the related requirements are met (fair value option). As regards this category, an entity may irrevocably designate a financial asset at fair value through profit or loss if, and only if, by doing so it removes or materially reduces any measurement inconsistency;

c) *"Financial assets mandatorily measured at fair value"*, consisting of the financial assets that are managed with the Business Model is "Hold to Collect" or "Hold to Collect and Sell", but that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These are financial assets that do not pass the SPPI test, as their contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding, or that are managed under the "Other" business model but are not held for trading. This category reports also units in OICR collective investment undertakings and equity securities that are not held for trading, for which, at first recognition, the entity did not exercised the option to classify them at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their disbursement date. Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, "Financial assets measured at fair value through profit or loss" are stated at fair value. IFRS 13 defines the fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used. Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that take account of all the risk factors correlated to the instruments and that are based on information available on the market, such as: the measurement of the price of listed instruments with similar features, discounted cash flows, option pricing models, values reported for recent comparable transactions, etc.

For equity securities and derivative instruments that have equity securities as underlying assets, not quoted in an active market, the cost approach is used as the fair value estimate only to a residual extent and limited to very few cases, that is to say when there is a wide range of possible fair value measurements of which cost is the most significant estimate.

The effects of said base of measurement are recognized in the income statements under item "80. Net profit (loss) on trading activities" for "Financial assets held for trading" and under item "110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss " for "Financial assets designated at fair value" and for "Financial assets mandatorily measured at fair value". The same items report the derecognition of such financial assets. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

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

CLASSIFICATION

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

- The financial asset is managed in accordance with the "Hold to Collect and Sell" Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test.

Therefore, this category includes debt securities and loans that are managed in accordance with the "Hold to Collect and Sell" Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their origination date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 "Other information - Amortized Cost Measurement". Profits and losses on fair value measurement are recognized in a specific equity reserve (item "110. Valuation reserves"), which shall be recycled to the income statement (item 100.b "Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

"Financial assets measured at fair value through other comprehensive income" - being them debt securities and loans - are subject to impairment testing in accordance with the IFRS 9, as are Assets at amortized cost, with subsequent recognition of value adjustments in the Income Statement for expected losses.

These adjustments are recognized in the Income Statement under item "130. Net losses/recoveries for credit risk", as the balancing item of the specific valuation reserve in equity (item "110. Valuation reserves"); the same applies, in a mirror-like way, to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item "120. Valuation reserves"). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the cumulative balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item "140. Reserves"). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for "Financial assets measured at fair value through profit or loss". For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans, that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect" Business Model whose objective is achieve by collecting the contractual cash flows;
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test.

More specifically, this category includes loans to customers and banks - in any technical form - and debt securities that meet the requirements referred to above. This item also reports finance lease loans under FRS16.

This category also includes operating loans and receivables linked to the provision of financial services, as defined by the Italian Consolidated Law on Banking (T.U.B.) and by the Italian Consolidated Law on Finance (T.U.F.) (e.g. for the distribution of financial products and servicing activities).

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS 9 para. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt securities and, as regards loans, at their origination date. This asset item reports separately:

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their origination date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan disbursement date.

Loans and receivables are initially recognized at their fair value that is is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time.

The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

Repurchase agreements or reverse repurchase agreements are recognized as lending transactions. Specifically, repurchase agreements and reverse repurchase agreements are recognized as receivables for the spot amount.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition, these financial assets are measured at amortized cost using the effective interest rate method.

Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information - Amortized Cost Measurement”.

The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans. These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.

The book value of financial assets at amortized cost is adjusted in order to report expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).

The bases of measurement applied are described in paragraph "Financial instruments (IFRS9, IAS 39 and IAS32) – Impairment for credit risk)" of Part A.2 Accounting policies of this Note.

The model of impairment (provisioning) for credit risk comprises:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee…), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the lifetime expected credit losses;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall in no event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item "10. Interest and similar income" are calculated based on amortized cost. The same item reports interest income due to the passage of time, calculated within the measurement of non-performing financial assets based on the original effective interest rate.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained.
  Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).
- The contract undergoes modifications that qualify as "substantial". In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

4. Hedging

In compliance with the decision made by the Crédit Agricole Group, Credito Valtellinese has not applied the "hedge accounting" section of the IFRS 9, exercising the option given by the IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with the IAS 39 takes into account the bases of classification and measurement of financial instruments pursuant to the IFRS 9.

CLASSIFICATION

The “Hedging Derivatives” asset and liability items report financial derivatives held for hedging, which, as at the reporting date, have positive or negative fair values, respectively.

Hedging transactions are used to neutralize potential losses occurring on a given item or group of items attributable to a given risk, should the risk event take place.

The following types of hedges are used:

- Fair value hedges: these are used to hedge exposures to changes in the fair value (attributable to the different types of risk) of assets and liabilities or portions thereof, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39, which was endorsed by the European Commission;
- Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency.

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and measured at fair value.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value. Specifically, in case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument. This offsetting is recognized in the Income Statement under item “90. Net profit (loss) on hedging activities” by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect through profit or loss.

Cash flow hedges: these are used to hedge exposures to changes in future cash flows caused by certain risks associated with financial statement items. This type of hedge is essentially used to stabilize interest cash flows from variable-rate funding to the extent it concerns fixed-rate loans. In some cases, similar hedges are used for some variable-rate loans; Changes in the fair value of the derivative are recognizes in equity (item “110. Valuation reserves”), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item;

Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.

The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life. The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the actual effectiveness is gauged by comparing the above-mentioned changes, taking into account the intention of the company at the inception of the hedge. Hedging is deemed effective when changes in the fair value (or the cash flows) of the hedging instrument almost entirely – i.e. within an interval of between 80% and 125% - offset changes in the value of the hedged item for the hedged risk factor.

Effectiveness is assessed at every reporting date, using:

- Prospective tests, which justify the application of hedge accounting, since they demonstrate the expected effectiveness of the hedge;

- Retrospective tests, which show the degree of effectiveness of the hedge achieved during the reference period. In other words, they measure how actual results deviate from the perfect hedge.

Any hedge ineffectiveness caused by economic circumstances that are expected to return to normal as confirmed by prospective tests is not taken into account.

DERECOGNITION

It the hedge effectiveness is not proved by the verifications and tests carried out, from that time on hedge accounting, as described above, shall be terminated, the derivative contract shall be reclassified to "Financial assets measured at fair value through profit or loss" and, specifically, to "Financial assets held for trading".

In case of fair value hedges, the hedged item is measured with the original measurement approach of the category it belongs to; for instruments measured at amortized cost, any accumulated recoveries/losses recognized subsequent to the fair value change of the hedges risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate. If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Furthermore, the hedging relationship terminates when::

- The derivative matures, is terminated or exercised;
- The hedged item is sold, matures or is repaid;
- The hedged future transaction is no longer highly probable.

5. Equity investments

Item "70. Equity investments" comprises the carrying amount of equity investments in fully owned subsidiaries, joint arrangements and investees subject to significant influence.

Fully owned subsidiaries are those in which the investor has at the same time power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

Joint arrangements are investees over which the investor has the power to make decisions about relevant activities of the investee jointly with other investors under a contractual agreement.

Associates are investees on which the investor exercises significant influence, i.e. has the power to take part in decisions regarding the financial and operating policies but said power does not amount to control. If 20% or more of the voting rights in the general meeting of the investee's shareholders is directly or indirectly held, a significant influence is presumed to exist unless it can be proved to the contrary. Specifically, there is no significant influence if, even in the presence of shares exceeding 20% of the investee, only property rights on the investments made are held without having access to management policies and without governance rights. Conversely, if less than 20% of the voting rights in the general meeting of the investee's shareholders is directly or indirectly held, significant influence is not presumed to exist unless such influence can be clearly demonstrated.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

In accordance with IAS 27, IAS 28 and IFRS 11, after initial recognition subsidiaries, joint arrangements and investees subject to significant influence shall measured at cost, the solution opted for by the Bank, or at fair value, in accordance with IFRS 9.

In accordance with IAS 36 impairment of equity investments shall be recognized if their carrying amount is higher then their recoverable value, defined as the higher between their fair value less sale costs and their value in use. The fair value is determined based on the best information available to reflect the amount that the entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, following the deduction of disposal costs This value is determined considering the results of recent transactions for similar assets carried out within the same industry sector. Value in use is calculated by using models based on the discounting of future cash flows.

The party who holds the asset is required to calculate the recoverable amount only if there is evidence of potential impairment. The following elements are considered in assessing whether the equity investments are impaired:

- Significant financial difficulties of the associate or joint venture;
- Breaches of contract, such as a non-fulfilment or non-payment by the associate or joint venture;
- Extension to the associate or joint venture of lending that the entity would not otherwise have considered for economic or legal reasons relating to the financial difficulty of the associate or joint venture;
- Probability that the associate or joint venture will declare bankruptcy or other financial restructuring procedures;
- Disappearance of an active market for the net investment due to the financial difficulties of the associate or joint venture;
- Significant adverse changes in the technological, market, economic or legal environment in which the associate or joint venture operates;;
- Significant or prolonged reduction in the fair value below its cost value.

In the presence of impairment indicators, the impairment is recognised to the extent that the recoverable amount is lower than the carrying amount, allocating the relative impairment loss to the income statement under item "220. Profit (losses) on equity investments" - If the reasons for impairment no longer apply following an event that has occurred, the write-back is booked to the Income Statement, up to same amount as the previously recognised impairment.

Dividends received are recognized under item "70. Dividend and similar income" when the right to receive payment arises, i.e. when dividend distribution is resolved.

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.

In case control, significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with the IFRS 9.

6. Property, Plant and Equipment

CLASSIFICATION

"Property, plant and equipment" includes land, operating property, investment property, technical plants, furniture, furnishings and equipment of any type and works of art.

These assets are held to be used in production or supply of goods and services (property, plant and equipment used in operations in accordance with IAS 16), to be rented out to third parties or for investment purposes (investment property governed by IAS 40) and are intended to be used for longer than one period.

This item also reports the rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

"Property, plant and equipment" items are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

These assets are systematically depreciated over their useful life on a straight-line basis, as reported in the table below:

Description	Duration
Land	No depreciation
Operating property	33 years(1)
Other investment property	33 years(1)
Furniture, fittings, alarm systems and vehicles	From 4 to 8 years
Computers and electronic equipment	From 3 to 8 years
Works of art	No depreciation

(1) It is specified that, in few specific cases and for specific property units, their useful life may have different duration

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined.

Properties are depreciated at a rate based on a useful life deemed fit to appropriately represent the deterioration of the assets over time due to use, taking into account any extraordinary maintenance costs, which increase the value of the asset, and ordinary maintenance costs, which maintain the value of the assets for longer periods of time. However, the assets' remaining useful life is verified on a regular basis.

The depreciation cost for property, plant and equipment is recognized in the Income Statement in the item "180 Net adjustments of/recoveries on property, plant and equipment".

The following assets are not depreciated:

- land, whether acquired separately or incorporated in the value of the building, since it has an indefinite useful life. Where its value is incorporated in the value of the building, under the components approach, the land is considered separable from the building. The division between the value of the land and the value of the building is based on appraisals by independent experts, for buildings entirely owned by, and, therefore, fully available to the Company, including the land;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's book value is compared to its recoverable value. For more exhaustive reporting, please refer to paragraph "16 Other Information - Method to calculate impairment losses - Other non-financial assets".

Any adjustments are recognized in the Income Statement under item "180. Net adjustments of/recoveries on property, plant and equipment".

If the reasons for impairment cease to exist, a writeback is recognized. The book value following the writeback shall not exceed the value the asset would have had, net of depreciation, in the absence of the prior writedown.

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible Assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or with licence for use;
- In-house developed software.

RECOGNITION

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the income statement in the FY it is incurred.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any accumulated impairment losses. Intangible assets' useful life is assessed as finite or indefinite.

Intangible assets with finite useful life, such as software, are amortized over their useful life and are tested for impairment every time signals of possible impairment are detected.. The amortization period and approach for intangible assets with finite useful life are reassessed at least at the end of every year. Changes in the expected useful life or in the modalities with which the future economic benefits linked to the assets occur, are recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in the item "190 Net adjustments of/recoveries on intangible assets". Software useful life is estimated as being five years.

DERECOGNITION

Intangible assets are derecognized from the Balance Sheet when disposed of or when no future economic benefits are expected to be generated by the asset.

Profits or losses resulting from the derecognition of intangible assets are calculated as the difference between the net disposal revenue and the book value of the intangible asset and are recognized in the income statement for the year in which the derecognition is made.

8. Non-current assets/liabilities held for sale and discontinued operations

CLASSIFICATION, RECOGNITION AND MEASUREMENT

"Non-current assets held for sale and discontinued operations" and "Liabilities in respect of assets held for sale" report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable.

The assets are measured at the lower between their book value and their fair value net of costs to sell, except for some types of assets (e.g. financial assets in the scope of application of IFRS 9) to which IFRS 5 specifically requires that the measurement bases under the relevant standard shall apply.

The related income and expenses net of the related tax effects, are recognized income statement item "290. Profit (Loss) after tax from discontinued operations" in case of discontinued operating units. The profits and losses from single discontinuing operations are recognized under the related Income Statement item. "Discontinued operations" must be understood as an important self-standing part of business or geographical area of operations, also within a single coordinate divestment programme, or a subsidiary that has been acquired solely in order to be resold.

9. Current and Deferred Taxes

CLASSIFICATION, RECOGNITION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

Provisions for income taxes are calculated on the basis of forecasts of the current tax liability and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated on the basis of temporary differences – without time restrictions – between the value attributed to an asset or a liability pursuant to the Italian Civil Code and the corresponding values used for tax purposes.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, relating to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely and after the probability test, which is to be run on a yearly basis, in accordance with IAS 12.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

Deferred tax assets and liabilities are recognized in the Balance Sheet with open balances without any offsetting, the former under the “Tax Assets” item, the latter under the “Tax Liabilities” one.

Deferred tax assets and liabilities are systematically measured to reflect any changes in tax regulations or rates, as well as in any other situation specifically applying to the Company. The effects are recognized in the Income Statement, except when these regard changes in the temporary differences in items for which accounting policies require recognition directly in equity, in which case the change in the deferred tax liability or asset is taken directly to equity.

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:

- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS

The item reports provisions for benefits to be paid once they stop working for the bank for members of the Group pension fund for Credito Valtellinese employees. . A defined benefit plan is a post-employment benefit plan according to which the bank has the obligation to pay the Fund the benefit agreed.

The liability is determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under item "110 Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

The aggregate also includes provisions for risks and charges set up to cover other types of commitments and guarantees given that, by virtue of their specific characteristics, do not fall within the aforementioned scope of application of the impairment in accordance with IFRS 9.

Provisions are recognised in item "170. Net provisioning for risks and charges: a) commitments and guarantees given".

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item "170. Net provisions for risks and charges" and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

The "Due to banks", "Due to customers" and "Debt securities issued" items report all forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments issued, less any amounts repurchased.

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

These financial liabilities are initially recognized upon the signing of the relevant contract, which is usually the date of receipt of the funds raised or of the issue of debt securities.

These financial liabilities are initially recognized at fair value, which usually is equal to the amount collected or the issue price plus any additional expenses/income that can be directly attributed to the single financing or issue transaction. Internal administrative expenses are excluded

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS16.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, these financial liabilities are measured at amortized cost with the effective interest rate method. The result of the application of this method is taken to the income statement in item "20 I interest and similar expenses". Accrued interest income on financial liabilities is recognized, in accordance with its algebraic sign, under item "10. Interest and similar income"

This does not apply to short-term liabilities which are recognized in the amount collected since the time factor is negligible.

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets

DERECOGNITION

Financial liabilities are derecognised when they mature or are settled. Financial liabilities are also derecognized when previously issued securities are repurchased.

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 "Net profit (loss) on sale or repurchase of financial liabilities".

12. Financial liabilities held for trading

CLASSIFICATION

This item reports derivative financial instruments held for trading which had a negative fair value.

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost that is equal to the instrument fair value, without taking into account any directly attributable transaction costs or income.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

All liabilities held for trading are measured at fair value through profit or loss.

For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item "80. Net profit (loss) on trading activities".

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

The item reports financial liabilities at fair value, as defined at the time of initial recognition and where the IFRS 9 requirements are met. Specifically, reference is made to liabilities whose designation at fair value through profit or loss eliminates or significantly reduces an inconsistency in measurement (sometimes defined as "accounting asymmetry").
Credito Valtellinese does not currently classify financial liabilities as designated at fair value.

14. Foreign currency transactions

RECOGNITION

Transactions in a foreign currency are initially recognized in the reporting currency by translating the foreign currency amount at the exchange rate in force on the date of the transaction.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

At each financial reporting date, foreign currency items are measured as follows:

- Monetary items are translated at the exchange rate in force as at the reporting date;
- Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity.

Conversely, when a profit or a loss is recognized in the Income Statement, the related exchange rate difference is also recognized in the Income Statement.

15. Insurance assets and liabilities

As the reporting date there were no assets or liabilities with insurance risks.

16. Other Information

TLTRO-III

On 6 June 2019, the Governing Council of the European Central Bank set the parameters for accessing TLTRO- III operations, including interest rates. According to the originally envisaged remuneration scheme, the transaction rate must be equal to the average of the main refinancing rates of the Eurosystem for the duration of the TLTRO-III. Moreover, there is the possibility of benefiting from a further rate reduction if a certain threshold of eligible net lending is exceeded between 1 April 2019 and 31 March 2021 compared to the benchmark net lending. For counterparties whose eligible net lending increases in the 12 months preceding 31 March 2019, the benchmark net lending is set to zero; for counterparties whose eligible net lending decreases in the 12 months preceding 31 March 2019, the benchmark net lending is set equal to this decrease. Given the Covid-19 emergency and its continuation, the Governing Council of the ECB revised the parameters several times. In particular, special periods have been identified for net lending from 1 March 2020 to 31 March 2021 (special reference period) and from 1 October 2020 to 31 December 2021 (additional special reference period). With regard to the rate, a special interest rate period between 24 June 2020 and 23 June 2021 and another one between 24 June 2021 and 23 June 2022 have been identified for counterparties whose eligible net lending in the special periods is at least equal to their benchmark net lending levels, equal to the average deposit rate reduced by an additional 50 points.
To recognize interest expenses at the favourable conditions in the special interest rate period, the achievement of the benchmark net lending is verified through specific monitoring and forward-looking reports on lending Interest is recognized, at the relevant time, based on the instrument interest rate for each period. Specifically, at a rate of -0.5% until 24 June 2020, of -1% until 23 June 2022 and -0.5% thereafter and until maturity based on the present rates.

LEASES

IFRS 16 "Leases" requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan for use contracts are in the scope of application of the new standard.

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a "Rights-of-use" approach (hereinafter "right of use" or "RoU")

Therefore, for all leases in which it is the lessee, the reporting entity shall recognize the items listed below in its balance sheet:

- Future lease payments, which shall be recognized under financial liabilities as Lease Liability, which reports the obligation to make future payments and is discounted at the incremental borrowing rate (the liability decreases in accordance with payments made and increases by the amount of accrued interest due);
- The right of use, as expressed in the contracts, which shall be recognized as a lease asset reporting its value in a separate row in the Balance Sheet, under Property, plant and equipment (RoU Asset) to be calculated as the sum of the lease liability, the initial direct costs, any payments made on or before the contract effective date (net of any lease incentives received) and of dismantling and restoration costs.

The following are recognized in the income statement:

- The expenses for depreciation of right of use asset over the lease term of validity on a straight-line basis (impact on Operating margin);
- Interest expenses accrued on the financial liability (impact on financial expenses and on financial income).

In case of any subsequent "finance" sublease of the asset, the related right-of-use asset is derecognized and the account receivable for the financial sublease is concomitantly recognized, amounting to the total contractual rent income discounted; any differences between the derecognized right of use and the recognized receivable shall be immediately taken to the income statement. During the remaining contract duration, interest expenses on the headlease liability and interest income on the finance sublease receivable are recognized in the income statement. In case of operating subleases, accrued rent income collected as the lessor is recognized in the income statement, continuing to recognize the headlease, the lease liability and the related effect on profit or loss. An intermediate lessor shall assess whether the sublease is a finance or operating lease within the scope of the asset consisting in the right of use rather than in the underlying actual asset.

Credito Valtellinese applied the exception provided for by the standard:

- Exclusion of short-term lease contracts, i.e. with duration of less than 12 months);
- Leases of low-value assets (lease contracts for assets with unit value of less than Euro 5 thousand).

Furthermore, it is specified that, based on the IFRS 16 requirements and the clarifications given by IFRIC (document "Cloud Computing Arrangements" of September 2018), software shall not fall in the IFRS 16 scope; therefore, all software shall be recognized in accordance with IAS 38 and the related requirements.

IFRS16 keeps the distinction between operating leases and finance leases provided for by IAS 17. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

For finance lease contracts entered into by Credito Valtellinese as the lessor, the leased assets are recognized as receivables in the Balance Sheet with a value equal to the lease net investment, while interest income (financial components of lease fees) is recognized in the Income Statement, and the fee part representing principal repayment reduces the receivable value.

For operating leases, the lease payments accrued are recognized under the "Other income" item.

TREASURY SHARES

Shares issued and repurchased are recognized as a direct reduction of equity. No profit or loss resulting from the purchase, sale, issue or cancellation of said instruments is recognized in the Income Statement. Any amount paid or received for said instruments is recognized directly under equity.

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:

- Cheques drawn to be settled
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item "100. Tax assets".

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy's "2007 Finance Act") and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The costs for the service are recognized under personnel costs and included accrued interest. Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve.

Having regard to the employee severance benefits accrued in the period, based on the choice made by the employees, the amounts are paid to supplementary pension schemes or to the treasury fund run by INPS (Italian National Social Security Institute) or paid out as an integral part of the remuneration for the pay period. The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENTS

Share-based payments are plans based on the grant of equity instruments in exchange for the service provided by the employee or a third party during the plan (IFRS 2).

Credito Valtellinese has plans in place that envisage the assignment of virtual shares and payment of benefits through cash settlement (cash-settled plan). In that scope, the commitments undertaken are measured at the fair value of the liability and recognized as a cost based on the relevant portion of service provided at each measurement date. Until the liability is cancelled, the fair value is recalculated at the end of each reporting period and at the settlement date, with fair value changes recognised in the Income Statement under item "160. Administrative expenses: a) personnel expenses". The fair value is determined with reference to the equity instruments assigned and takes account of the terms and conditions indicated in the plan.

Conversely, any share capital increase in favour of the personnel, who can subscribe at a lower price than the market value, are recognized in the income statement recognizing the related increase in equity, based on the fair value of the financial instruments allotted at the allotment date.

Any reduction in the number of financial instruments awarded is reported as derecognition of a portion of such instruments.

REVENUE RECOGNITION

Revenue arising from contractual obligations with customers is recognised in the Income Statement if it is probable that the entity will receive the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer. The consideration for the transaction must be allocated to the contractual commitments and services and is recognised as revenue based on the timing for the fulfilment of the contractual commitments and obligations Revenues are recognized:

- At a specific point in time, when the entity fulfils its obligation to perform by transferring the promised goods or services to the customer;
- Over time, i.e. as the entity fulfils its obligation to perform by transferring the promised goods or services to the customer.

With reference to both timing and amount, revenues must be recognised on the basis of the following steps defined by IFRS 15:

- Identifying the contract with a customer: this contract is an agreement between two or more parties - written, oral or implicitly derived from the entity's usual commercial practices - that creates enforceable rights and obligations;
- Identifying of commitments and performance obligations under the contract: a contract can contain one or more obligations to do, understood as any promise to transfer to a customer goods or services (or a set of goods or services) that are distinct
- Determining the transaction price (estimated if necessary): the amount to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer; it can be a fixed or variable amount or include non-monetary components. With regard to the variable components, these can be estimated in order to come to the determination of the overall price of the transaction and are recognised only if they can be reliably estimated;
- Allocating the transaction price to the performance obligations in the contract: where a contract has multiple performance obligations, it is necessary to allocate to each performance obligation, i.e. to each distinct good or service, the amount that reflects the price at which the entity would sell the promised good or service separately to the customer;
- Recognising revenues when the entity satisfies a performance obligation: an entity recognises revenue when (or as) it satisfies the performance obligations; this is the case when an entity transfers the goods or services promised in the contract to a customer and the customer obtains control over them.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union. The relevant measures shall be financed by the National Resolution Fund, which, on 1 January 2016, was merged into the Single Resolution Fund – SRF, managed by the Single Resolution Board – SRB. The Single Resolution Fund shall reach a target level of financial resources by 31 December 2023 through the payment of a yearly ex-ante contribution, which, normally, pursuant to the Delegated Regulation of the European Commission No. 2015/81, may be paid also with irrevocable payment commitments (IPC). Credit institutions were allowed to use IPC as to 15% of their total contribution. However, to secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which may consist only of cash.

These contributions are recognized in the Income Statement under "Other administrative expenses".

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive - 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes. The Deposit Guarantee Scheme provides coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund. The Scheme requires member banks to give an ex-ante contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024. If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

These contributions are recognized in the Income Statement under "Other administrative expenses".

BUSINESS COMBINATIONS

Business combinations are recognized in accordance with IFRS 3 “Business Combinations”.

This standard requires business combinations to be recognized using the “acquisition method” of accounting, based on which assets, liabilities and contingent liabilities of the acquiree are measured at acquisition-date fair value. Any portion of the price paid exceeding the acquisition-date fair values shall be recognized as goodwill or as other intangible assets; if the price is lower than acquisition-date fair value, the difference shall be taken to the Income Statement (badwill).

The “acquisition method” shall be applied from the acquisition date, i.e. the date on which control over the acquiree is actually obtained.. Therefore, profit or losses of a subsidiary acquired in the period are reported in the Financial Statements starting from the date of its acquisition.

IFRS 3 does not apply to business combination transactions between parties under common control. In the absence of specific indications envisaged by other IAS/IFRS international accounting standards, IAS 8 requires that the company must make use of its own judgement when applying an accounting standard to be adopted for the purpose of providing relevant, reliable, prudent disclosure that reflects the economic essence of the transactions. These types of business combinations, usually achieved as part of company reorganisations, are recorded by preserving the continuity of the values of the acquiree in the financial statements of the acquirer. In particular, the acquired assets and liabilities were recognised at the amounts resulting from the consolidated financial statements.

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Notes to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies. Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as quoted. Otherwise, all securities, derivatives and hedge funds that do not belong to the above categories are not considered as traded on an active market.

For financial instruments traded on active markets, the price is used which is defined as “official”, as at the closure of the reference period.

In the case of financial instruments for which the bid-ask spread is immaterial, or for financial assets and liabilities capable of offsetting market risk, a “mid price” is used, i.e. the average market price (on the last day of the reference period) instead of the bid or ask price.

Where there is no active, liquid market, the fair value of financial instruments is defined mainly by using standard measurement techniques designed to establish what the transaction price would have been on the measurement date in an arm’s length trade carried out for normal market reasons. In incorporating all the factors that operators would consider in setting the price, development of the valuation models takes into account the time value of money at the risk-free rate, the volatility of the financial instrument, as well as, where applicable, exchange rates, commodity prices and stock prices.

With finance products for which the fair value determined with measurement techniques cannot guarantee a sufficient degree of reliability, the value is prudentially calculated as the fair value at the reference date communicated by the parties with which the transactions were signed.

The measurement method chosen for a financial instrument is applied consistently over time and may only be altered if significant changes in market conditions or the subjective condition of the issuer of the financial instrument occur.

For bonds and derivative contracts, globally accepted valuation models have been set, which refer to market parameters, to the time value of money and to risk-free rates.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

Derivative contracts are measured using specific calculation algorithms and specific numerical procedures according to the type of the different categories of transactions.

Stocks are measured considering the direct transactions, that is, significant transactions on the security registered in a sufficiently short timeframe with respect to the time of measurement and in constant market conditions, comparable transactions by companies operating in the same sector and supplying the same type of products/services as the associated company being evaluated provides, application of the average of significant stock exchange multiples of companies of a comparable financial size to the financial aggregates of the investee and, finally, financial, income and equity measurement methods.

The fair value of units in funds resulting from loan management initiatives is determined in accordance with *Bank of Italy/Consob/Ivass Joint Document no. 8 – Coordination table between Consob, the Bank of Italy and Ivass regarding the application of the. IAS/IFRS of 14 April 2020*; therefore, for fair value determination, the Asset Manager is asked to periodically provide an estimate of the Fund made by an independent expert and compliant with IFRS13 and with the Joint Document. Said Fair Value is the value the fund units are measures and recognized at.

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value is calculated as follows:

- The fair values of medium/long-term assets and liabilities are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio for assets and of any changes in own credit rating for liabilities.
- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans) is deemed to be a reasonable fair value approximation;
- The fair value of securities issued is measured based on prices quoted on active markets or with a measurement technique based on cash flow discounting using the reference yield curve appropriately corrected to take into account any change in own credit rating.

With regard to real estate, the Notes to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts. The fair value of artistic heritage is determined by means of independent appraisals, the point of reference of which is represented by the analysis of the primary and secondary market of reference, using both the systems for collecting auction tickets and the trend of similar works on the antique market and national and international art galleries.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment.

The effective interest rate is the rate that aligns the present value of cash flows expected throughout the life of the instrument (up to maturity or "expected" maturity, or a shorter period if appropriate) to the net carrying amount of the asset. The expected flows have been calculated considering all contractual terms of the instrument and including all fees and base points paid or received by and between the contracting parties, transaction costs and any other premium or discount that is measurable and considered an integral part of the effective interest rate of the transaction The amortized cost is not calculated for short-term transactions if the effect is considered immaterial and for loans without a defined maturity or revocable loans..

IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

In compliance with IFRS 9, Credito Valtellinese recognizes impairment with write-downs representing Expected Credit Losses (ECL) on the categories of financial assets given below:

- Financial assets recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Commitments to disburse funds which are not measured at fair value through profit or loss;
- Financial guarantees that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling in the IFRS16 scope;
- Receivables generated by transactions under IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the lifetime expected credit losses;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

The Expected Credit Loss (ECL) is the weighted expected value of the discounted credit loss (principal and interest).

To define the IFRS 9 parameters required to calculate ECL, Credito Valtellinese has primarily relied on its internal rating system and on the other regulatory processes already implemented. The assessment of credit risk is based on an expected loss model and extrapolation based on reasonable future scenarios. All information that is available, pertinent, reasonable and justifiable, including forward-looking information, shall be taken into account.

Therefore, in compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non-performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement

The ECL calculation formula combines the probability of default (PD), Loss Given Default (LGD), Exposure At Default (EAD) and Credit Conversion Factor (CCF),parameters.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

OTHER NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment if there is evidence that the book value of the asset can no longer be recovered.

The recoverable value is calculated for each single asset, except in case this asset generates cash flows that are not widely independent of those generated by other assets or groups of assets.

If the book value of an asset is higher than its recoverable value, that asset is impaired and consequently written down to the recoverable value.

The recoverable value is determined with reference to the fair value of the asset, excluding disposal costs, or value in use, if calculable and higher than the fair value.

The fair value of property and works of art is mainly determined on the basis of appraisals by independent experts. The appraisal is updated whenever there is a change in the market trend that could affect the validity of the previous estimates and, in any case, every three years.

For other Property, plant and equipment items and intangible assets, Credito Valtellinese determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

A.3 – DISCLOSURE OF TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

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

No changes to the business model were made during the reporting period.

A.3.2 Reclassified financial assets: change in the business model, fair value and effects on comprehensive income

No changes to the business model were made during the reporting period.

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

No changes to the business model were made during the reporting period.

A.4 – FAIR VALUE REPORTING

QUALITATIVE DISCLOSURES

CLASSIFICATION OF FINANCIAL INSTRUMENTS AND OF NON-FINANCIAL ASSETS/LIABILITIES

Reporting on the fair value hierarchy as required by IFRS 13 applies to financial instruments and to non-financial assets/liabilities that are measured at fair value (irrespectively of whether they are so measured on a recurring or non-recurring basis).

The standard classifies fair value into three different levels based on the observability of the inputs used for its measurement:

- **Level 1:** Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets. Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets. Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm’s length basis.

- **Level 2:** Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the yield curve based on interest rates that are directly observable on the market at a given reference date).

  Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- **Level 3:** Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

They are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

In accordance with the IFRS 13 regulatory framework, derivatives shall be priced based on market factors, as well as on the possible effects of the risk of the counterparty's default, which comprises the risk associated to the counterparty's creditworthiness, by calculating the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA).

CVA is the value adjustment of an OTC derivative contract entered into by the Bank with an external counterparty, which reflects the possible loss resulting from the worsening of the creditworthiness/default of the counterparty. In a mirror-like way, the DVA expresses the CVA from the external counterparty's standpoint and consists in an adjustment of the derivative fair value based on the change in the creditworthiness of the Bank.

Based on the above, the value of a portfolio of OTC derivatives that are in force with a market counterparty is equal to the value of the same risk-free portfolio less the CVA plus the DVA.

As provided for by IFRS13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA).

By signing ISDA Master Agreements, which are framework agreements that amount to the reference international standard on OTC derivatives, the Bank can calculate the CVA and DVA by netting set or by counterparty, after assessing the netting effect potentially resulting from such Agreements, rather than calculating it by single derivative.

Much in the same way, risks can be mitigated by finalizing Credit Support Annexes (CSA), which are attached to the ISDA Mater Agreement and provide for the deposit with the creditor of an amount equal to the mark-to-market value of the exposure as collateral. Such collateral allows the present exposure and the subsequent risk to be reduced and provides, on a regular basis, for the exposure to be recalculated in order to verify that the deposited amount is consistent.

As at 31 December 2021 the CVA/DVA total figure that contributes to the fair value of derivatives was not significant.

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

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

Specifically, fixed-rate bonds relating to financial assets or liabilities are measured using the discounted cash flow method pursuant to the security contractual scheme; floating-rate bonds are measured by discounting back future cash flows estimated on the basis of the forward rates with the application of index-linking parameters.

Derivative contracts are measured using specific calculation algorithms according to the type of the different categories of transactions.

Level 3: this level includes all financial instruments for which there is no active market and whose measurement is not based on observable market inputs or using the measurement communicated by qualified market players.

A.4.2 Processes and sensitivity of measurement

The Bank has carried out a sensitivity analysis of unobservable market parameters in the valuation of instruments classified in Level 3 of the fair value hierarchy and measured at fair value on a recurring basis.

The portfolio of instruments measured at fair value on a recurring basis and classified within level 3 of the fair value hierarchy mainly consists of OEIC units and equity instruments.

Level 3 units of O.I.C.R. collective investment undertakings in the “Financial assets measured at fair value through profit or loss” portfolio consisted mainly of units of real estate funds. The Bank also holds units in the Atlante Fund, whose assets mainly consist of units in the Italian Recovery Fund; its investment policy is aimed at non-performing loans of a number of Italian banks, by subscribing financial instruments (usually notes of different seniority originating from securitisation transactions, including junior tranches).). In In a particularly adverse simulative scenario, the zeroing of the value of EUR 7.8 million cannot be ruled out.

The value of units in real estate Of O.I.C.R. collective investment undertakings totalling EUR 63.2 million is exposed to the trend of the domestic real estate market. The sensitivity is estimated on the basis of a historical simulation approach, assuming a reduction in the value of the units equal to the first percentile of the distribution of annual changes in prices of a residential real-estate market index (Italy ISI Property Price Residential) recorded over a 6-year period.. The change in the measurement parameter is given below, along with the estimated sensitivity.

Financial asset	Unobservable parameter	Parameter change	Sensitivity (Amounts in thousands of Euro)
Real estate O.I.C.R. collective investment undertakings	Real estate market price performance	-184 p.b.	-1,164

Moreover, “Financial assets at fair value through profit or loss” also include OEIC units of private equity and private debt that hold financial instruments mainly issued by small and medium enterprises, for an amount of EUR 56.2 million, whose value is mainly affected by the economic situation of the domestic market and for which information is not sufficient to create a sensitivity analysis. . The item also includes units of an O.I.C.R collective investment undertaking that invest mainly in past due corporate loans of EUR 7.4 million and of a security fund of EUR 0.4 million; based on the information available, it was not possible to create a sensitivity analysis.

The Bank holds a total of EUR 34.5 million of equity instruments classified within Level 3 of the fair value hierarchy, mainly included within “Financial assets measured at fair value through other comprehensive income”. In an adverse simulative scenario that for some securities requires the application of a particularly severe haircut and for others a zeroing of the value, the overall sensitivity is estimated at EUR 18.0 million..

“Financial assets measured at fair value through profit or loss” also include the self-retained mezzanine and junior tranches coming from the disposal through a securitisation of portfolios of bad loans (Elrond and Aragorn), amounting to EUR 0.1 million and accounting for 5% of the total amount placed with institutional investors. Moreover, the portfolio includes mezzanine and junior tranches of EUR 1.6 million, mainly from corporate loan restructuring transactions. In consideration of the peculiar characteristics of the operations described above, no fair value, sensitivity analyses were carried out; however, in a particularly adverse simulative scenario, the zeroing of the value cannot be excluded.

A.4.3 Fair value hierarchy

For the assets and liabilities recognized, the Bank assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Ban moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Bank’s internal standard pricing models. The Bank makes transfers to Level 3 only for financial instruments that are no longer listed in a regulated market and that cannot be measured using standard internal pricing models.

A.4.4 Other information

The cases provided for by IFRS 13 at paragraphs 51, 93 item (i) and 96 did not apply to the Group.

QUANTITATIVE DISCLOSURES

A.4.5 Fair value hierarchy

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

Assets/liabilities measured at fair value	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	2	420	118,939	55	620	187,988
a) financial assets held for trading;	2	420	1	55	620	1
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	118,938	-	-	187,987
2. Financial assets measured at fair value through other comprehensive income	608,566	6,996	34,727	788,398	23,516	43,538
3. Hedging derivatives	-	-	-	-	-	-
4. Property, Plant and Equipment	-	-	24,799	-	-	24,789
5.Intangible Assets	-	-	-	-	-	-
Total	**608,568**	**7,416**	**178,465**	**788,453**	**24,136**	**256,315**
1. Financial liabilities held for trading	-	379	-	-	80	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	126,409	-	-	159,057	-
Total	**-**	**126,788**	**-**	**-**	**159,137**	**-**

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

The transfers among different levels of fair value on positions outstanding at 31 December 2021 involve a limited number of positions referring to debt instruments. Specifically, transfers from Level 1 to Level 2 were not material. As at 31 December 2021 the CVA/DVA total figure that contributes to the fair value of derivatives was not significant.

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible Assets
	Total	Of which a) financial assets held for trading	Of which b) financial assets designated at fair value	Of which c) other financial assets mandatorily measured at fair value				
1 Opening balance	**187,988**	**1**	**-**	**187,987**	**43,538**	**-**	**24,789**	**-**
2. Increases	**1,763**	**-**	**-**	**1,763**	**6**	**-**	**10**	**-**
2.1 Purchases	1,763	-	-	1,763	-	-	10	-
2.2 Profits recognized in:	-	-	-	-	-	-	-	-
2.2.1 Income Statement	-	-	-	-	-	-	-	-
- of which: capital gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	6	-	-	-
3. Decreases	**-70,812**	**-**	**-**	**-70,812**	**-8,817**	**-**	**-**	**-**
3.1 Sales	-5,723	-	-	-5,723	-18	-	-	-
3.2 Repayments	-13,764	-	-	-13,764	-28	-	-	-
3.3 Losses recognized in:	-51,306	-	-	-51,306	-6,234	-	-	-
3.3.1 Income Statement	-51,306	-	-	-51,306	-	-	-	-
- of which: capital losses	-51,306	-	-	-51,306	-	-	-	-
3.3.2 Equity	-	X	X	X	-6,234	-	-	-
3.4 Transfers to other levels	-	-	-	-	-2,537	-	-	-
3.5 Other decreases	-19	-	-	-19	-	-	-	-
4. Closing Balance	**118,939**	**1**	**-**	**118,938**	**34,727**	**-**	**24,799**	**-**

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

In the reporting period there were no changes in financial liabilities measured at fair value on a recurring basis (level 3)

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31 Dec. 2021				31 Dec. 2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortized cost	22,411,825	3,705,612	18,759	19,559,296	21,163,330	4,089,163	449,025	17,489,926
2. Investment property	70,878	-	-	79,930	98,141	-	-	115,341
3. Non-current assets held for sale and discontinued operations	277,557	-	-	242,130	11,730	-	-	11,730
Total	**22,760,260**	**3,705,612**	**18,759**	**19,881,356**	**21,273,201**	**4,089,163**	**449,025**	**17,616,997**
1. Financial liabilities measured at amortized cost	23,015,836	466,001	6,203,929	16,332,133	21,416,326	171,067	6,194,841	15,080,393
2. Liabilities associated with non-current assets held for sale and discontinued operations	6,746	-	-	211	-	-	-	-
Total	**23,022,582**	**466,001**	**6,203,929**	**16,332,344**	**21,416,326**	**171,067**	**6,194,841**	**15,080,393**

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

A.5 REPORTING ON "DAY ONE PROFIT/LOSS"

The disclosure refers to the method of recognition of any differences between the price of a transaction and its fair value, determined through the use of valuation techniques that do not only use data from observable markets, which emerge when a financial instrument is first recognised and are not immediately recognised in the Income Statement on the basis of the provisions of paragraph B5.1.2 A of IFRS 9. Note that no transactions were carried out for which the conditions presented are met.

PART B – INFORMATION ON THE BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
a) Cash	161,552	153,110
b) Demand deposits with Central Banks	9,992	19,993
c) Current accounts and demand deposits with Banks	45,541	23,175
Total	**217,085**	**196,278**

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

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L 1	L 2	L 3	L 1	L 2	L 3
A. On-balance-sheet assets						
1 Debt securities	2	1	-	10	96	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	2	1	-	10	96	-
2. Equity securities	-	1	1	43	346	1
3. Units of O.I.C.R. collective investment undertakings	-	-	-	2	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**2**	**2**	**1**	**55**	**442**	**1**
B. Derivatives						
1 Financial Derivatives	-	418	-	-	178	-
1.1 held for trading	-	418	-	-	178	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit Derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**418**	**-**	**-**	**178**	**-**
Total (A+B)	**2**	**420**	**1**	**55**	**620**	**1**

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

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ ISSUER/COUNTERPARTY

Items/Values	31 Dec. 2021	31 Dec. 2020
A. On-balance-sheet assets		
1 Debt securities	**3**	**106**
a) Central Banks	-	-
b) Public administration bodies	2	102
c) Banks	1	4
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
2. Equity securities	**2**	**390**
a) Banks	-	18
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) non-financial corporations	2	372
c) Other issuers	-	-
3. Units of O.I.C.R. collective investment undertakings	**-**	**2**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total (A)	**5**	**498**
B. Derivatives		
a) Central counterparties	-	-
b) Other	418	178
Total (B)	**418**	**178**
Total (A+B)	**423**	**676**

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1 Debt securities	**-**	**-**	**1,705**	**-**	**-**	**2,866**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	1,705	-	-	2,866
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**5,660**
3. Units of O.I.C.R. collective investment undertakings	**-**	**-**	**117,233**	**-**	**-**	**179,461**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**118,938**	**-**	**-**	**187,987**

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

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY DEBTOR/ISSUER

	31 Dec. 2021	31 Dec. 2020
1. Equity securities	**-**	**5,660**
of which: banks	-	5,660
of which: other financial companies	-	-
of which: non-financial corporations	-	-
2. Debt securities	**1,705**	**2,866**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	1,624	2,509
of which: insurance undertakings	-	-
e) non-financial corporations	81	357
3. Units of O.I.C.R. collective investment undertakings	**117,233**	**179,461**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**118,938**	**187,987**

Units of O.I.C.R. collective investment undertakings mainly refer to units of Italian closed-end .O.I.C.R. During the financial year, payments for EUR 1,361 thousand, new subscriptions for EUR 402 thousand. and redemptions for EUR 13,489 thousand were made. Moreover, adjustments were recognized for EUR 50,413 thousand resulting mainly from the application of the Parent Company's measurement models and policies as described in Part A of the Notes to the financial statements.

As regards those units, any further commitments to sell in case of call-in amount to Euro 9,078 thousand.

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

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1 Debt securities	**608,545**	**4,471**	**-**	**787,645**	**3,300**	**-**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	608,545	4,471	-	787,645	3,300	-
2. Equity securities	**21**	**2,525**	**34,727**	**753**	**20,216**	**43,538**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**608,566**	**6,996**	**34,727**	**788,398**	**23,516**	**43,538**

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

Item “1.2 Other debt securities” consisted of Italian Government securities for Euro 419,246 thousand and of other bonds for Euro 193,770 thousand. The net reserve for Italian Government securities was negative by Euro -1,147 thousand, the one for other securities amounted to Euro 1,874 thousand.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	31 Dec. 2021	31 Dec. 2020
1. Debt securities	**613,016**	**790,945**
a) Central Banks	-	-
b) Public administration bodies	419,246	619,474
c) Banks	151,122	144,801
d) Other financial companies	28,322	23,465
of which: insurance undertakings	3,902	3,827
e) non-financial corporations	14,326	3,205
2. Equity securities	**37,273**	**64,507**
a) Banks	2,525	22,741
c) Other issuers:	34,748	41,766
- other financial companies	29,687	35,235
of which: insurance undertakings	-	-
- non-financial corporations	5,061	6,531
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
f) Households	-	-
Total	**650,289**	**855,452**

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustments				Write-off partial (*)
	Stage 1	of which: low credit risk instruments	Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets total	
Debt securities	613,395	105,743	526	-	-	-899	-6	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2021	**613,395**	**105,743**	**526**	**-**	**-**	**-899**	**-6**	**-**	**-**	**-**
Total 31 Dec. 2020	**787,669**	**82,985**	**3,780**	**-**	**-**	**-353**	**-151**	**-**	**-**	**-**

(*) Value to be stated for disclosure purposes

Section 4 - Financial assets measured at amortized cost - Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE FROM BANKS

Type of transactions/Values	31 Dec. 2021						31 Dec. 2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3	Stage 1 and 2	Stage 3	POCI assets	L1	L2	L3
A. Claims on Central Banks	**4,578,147**	**-**	**-**	**-**	**-**	**4,578,147**	**1,159,893**	**-**	**-**	**-**	**-**	**1,159,893**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	4,578,147	-	-	X	X	X	1,159,893	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from Banks	**221,192**	**-**	**-**	**74,725**	**107**	**148,439**	**289,368**	**-**	**-**	**83,655**	**105**	**233,445**
1. Loans	148,439	-	-	-	-	148,439	209,343	-	-	-	-	233,445
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	3,254	-	-	X	X	X	145	-	-	X	X	X
1.3 Other loans:	145,185	-	-	X	X	X	209,198	-	-	X	X	X
- Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	145,185	-	-	X	X	X	209,198	-	-	X	X	X
2. Debt securities	72,753	-	-	74,725	107	-	80,025	-	-	83,655	105	-
2.1 Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
2.2 Other debt securities	72,753	-	-	X	X	X	80,025	-	-	X	X	X
Total	**4,799,339**	**-**	**-**	**74,725**	**107**	**4,726,586**	**1,449,261**	**-**	**-**	**83,655**	**105**	**1,393,338**

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

Item “1.3 Other loans” reports loans for .margin trading on existing derivatives

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/ Values	31 Dec. 2021						31 Dec. 2020					
	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
Loans	**12,831,113**	**562,317**	**-**	**-**	**-**	**14,156,172**	**14,566,852**	**485,655**	**-**	**-**	**417,010**	**15,293,303**
1.1. Current accounts	1,044,303	155,620	-	X	X	X	1,838,035	101,414	-	X	X	X
1.2. Repurchase agreements for lending purposes	-	-	-	X	X	X	417,010	-	-	X	X	X
1.3. Mortgage loans	9,857,305	395,382	-	X	X	X	10,564,394	317,678	-	X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	244,768	4,293	-	X	X	X	270,879	7,358	-	X	X	X
1.5. - Lease loans	7,580	-	-	X	X	X	261,180	42,417	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	1,677,157	7,022	-	X	X	X	1,215,354	16,788	-	X	X	X
Debt securities	**4,219,056**	**-**	**-**	**3,630,887**	**18,652**	**676,537**	**4,661,562**	**-**	**-**	**4,005,508**	**31,910**	**803,285**
1. Structured Securities	-	-	-	X	X	X	-	-	-	X	X	X
2. Other debt securities	4,219,056	-	-	X	X	X	4,661,562	-	-	X	X	X
Total	**17,050,169**	**562,317**	**-**	**3,630,887**	**18,652**	**14,832,710**	**19,228,414**	**485,655**	**-**	**4,005,508**	**448,920**	**16,096,588**

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

Item "1.7. Other loans" includes instalment and non-instalment sundry facilities of EUR 1,072,781 thousand, loans for advances on bills of EUR 246,338 thousand and import and export loans of EUR 211,899 thousand, exposures to Quadrivio SME 2018 for Euro 49,167 thousand.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/Values	31 Dec. 2021			31 Dec. 2020		
	Stage 1 and 2	Stage 3	POCI assets	Stage 1 and 2	Stage 3	Purchased or originated credit impaired
1. Debt securities	**4,219,056**	**-**	**-**	**4,661,562**	**-**	**-**
a) Public administration bodies	3,483,239	-	-	3,782,620	-	-
b) Other financial companies	700,614	-	-	827,993	-	-
of which: insurance undertakings	5,116	-	-	5,116	-	-
c) non-financial corporations	35,203	-	-	50,949	-	-
2. Loans to	**12,831,113**	**562,317**	**-**	**14,566,852**	**485,655**	**-**
a) Public administration bodies	57,583	19	-	198,066	28	-
b) Other financial companies	684,749	8,033	-	1,778,141	20,564	-
of which: insurance undertakings	2,532	-	-	2,510	-	-
c) non-financial corporations	6,401,825	424,531	-	6,986,222	321,193	-
d) Households	5,686,956	129,734	-	5,604,423	143,870	-
Total	**17,050,169**	**562,317**	**-**	**19,228,414**	**485,655**	**-**

Item "1. Debt securities: b) Other financial companies" mainly reports the portions of senior notes acquired within the disposal of non-performing loans (Elrond and Aragorn). The decrease vs. 31 December 2020 mainly resulted from partial repayment of the senior portions.

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustements				Total/ partial write-offs(*)
	Stage 1		Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
		of which: Low credit risk instruments								
Debt securities	4,296,406	72,709	-	-	-	-4,597	-	-	-	-
Loans	16,774,627	144,037	864,224	1,166,003	-	-43,064	-38,088	-603,686	-	6,802
Total 31 Dec. 2021	**21,071,033**	**216,746**	**864,224**	**1,166,003**	**-**	**-47,661**	**-38,088**	**-603,686**	**-**	**6,802**
Total 31 Dec. 2020	**19,705,236**	**274,927**	**1,038,205**	**939,322**	**-**	**-23,605**	**-42,161**	**-453,667**	**-**	**18,754**

(*) Value to be stated for disclosure purposes

4.4a LOANS MEASURED AT AMORTIZED COST UNDER COVID-19 SUPPORT MEASURES: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value					Total adjustements				Total/ partial write-offs(*)
	Stage 1		Stage 2	Stage 3	POCI assets	Stage 1	Stage 2	Stage 3	POCI assets	
		of which: credit risk instrum ents								
1. Loans under EBA-compliant concessions	59,249	-	194,502	-	-	-271	-9,856	-	-	-
2,Loans under moratoria in force no longer EBA- compliant and not assessed as forborne	16,258	-	5,353	29,448	-	-59	-83	-7,778	-	-
3. Loans under other concession Measures	-	-	36,709	67,541	-	-	-2,653	-18,510	-	-
4, New loans	1,639,230	-	9,530	23,891	-	-6,057	-270	-6,338	-	-
Total 31 Dec. 2021	**1,714,737**	**-**	**246,094**	**120,880**	**-**	**-6,387**	**-12,862**	**-32,626**	**-**	**-**
Total 31 Dec. 2020	**3,356,366**	**-**	**304,054**	**8,743**	**-**	**-7,526**	**-20,488**	**-2,613**	**-**	**-**

(*) Value to be stated for disclosure purposes

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Regi stered Office	Operating HQ	% held	available votes %(*)
A. Subsidiaries				
1. Stelline Real Estate S.p.A.	Sondrio, Italy	Sondrio, Italy	100.00	-
2. Creval Covered Bond S.r.l.	Conegliano (TV), Italy	Conegliano (TV), Italy	60.00	-
B. Joint arrangements				
1. Rajna Immobiliare S.r.l	Sondrio, Italy	Sondrio, Italy	50.00	-
C. Investees subject to significant influence				
1. Valtellina Golf Club S.p.A.	Caiolo (SO), Italy	Caiolo (SO), Italy	43.08	
2. Generalfinance S.p.A.	Milan, Italy	Milan, Italy	46.81	-
3. Global Broker S.p.A.	Milan, Italy	Milan, Italy	30.00	-

(*) The percentage of votes available is not set forth when it is equal to the shareholding.

In accordance with IAS 36, equity investments shall be tested for impairment in order to verify their recoverability if there is any evidence suggesting impairment.

The adopted standards require that equity investments be tested for impairment comparing their carrying amount with their recoverable amount. If the recoverable amount is lower than the carrying amount, impairment shall be recognized.

The recoverable amount of an equity investment is the higher of its fair value and its value in use. For the impairment procedure, the fair value was used to verify the recoverability of the equity investment held by Credito Valtellinese in Stelline Real Estate.

Fair value

The fair value is the reliable amount, net of disposal costs, that could be obtained from the sale of an asset in an arm's length transactions between knowledgeable and willing parties. Disposal costs mean the marginal costs directly attributable to the disposal of an asset, excluding financing costs and taxation

Based on the characteristics of Stelline Real Estate's business, it was deemed appropriate to estimate the value attributable to 100% of the company's share capital on the basis of the company's capital solidity at the valuation date.

Therefore, the standard equity method as it gives the value of a company based on its assets and liabilities at their current values.

The impairment test outcomes gave evidence that impairment of the equity investment held by Credito Valtellinese in Stelline Real Estate had to be recognized in an amount of about Euro 9.1 million, setting its carrying amount to zero. Another liability was also recognized resulting from the investee's remaining financial mismatch to be covered.

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	31 Dec. 2021	31 Dec. 2020
A. Opening balance	**59,793**	**63,441**
B. Increases	**934**	**2**
B.1 Purchases	934	2
B.2 Recoveries	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**-44,075**	**-3,650**
C.1 Sales	-	-
C.2 Value adjustments	-9,075	-3,650
C.3 Impairment/writedowns	-	-
C.4 Other changes	-35,000	-
D. Closing balance	**16,652**	**59,793**
E. Total recoveries	**-**	**-**
F. Total adjustments	**26,694**	**17,619**

Section 8 – Property, plant and equipment – Item 80

8.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	31 Dec. 2021	31 Dec. 2020
1. Owned	**175,602**	**235,585**
a) land	32,310	43,617
b) buildings	138,649	182,176
c) furniture	1,715	2,559
d) electronic plants	1,885	5,125
e) other	1,043	2,108
2. Rights of use acquired through leases	**97,692**	**125,112**
a) land	-	-
b) buildings	96,055	119,050
c) furniture	-	-
d) electronic plants	681	4,550
e) other	956	1,512
Total	**273,294**	**360,697**
of which: obtained through the enforcement of guarantees received	-	-

8.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1 Owned	**62,686**	**-**	**-**	**71,738**	**92,270**	**-**	**-**	**109,470**
a) land	8,680	-	-	10,043	12,434	-	-	15,474
b) buildings	54,006	-	-	61,695	79,836	-	-	93,996
2. Rights of use acquired through leases	**8,192**	**-**	**-**	**8,192**	**5,871**	**-**	**-**	**5,871**
a) land	-	-	-	-	-	-	-	-
b) buildings	8,192	-	-	8,192	5,871	-	-	5,871
Total	**70,878**	**-**	**-**	**79,930**	**98,141**	**-**	**-**	**115,341**
of which: obtained through the enforcement of guarantees received	21,356	-	-	24,198	27,337	-	-	30,091

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

8.3 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS REVALUED

Assets/Values	31 Dec. 2021			31 Dec. 2020		
	L1	L2	L3	L1	L2	L3
1 Owned	**-**	**-**	**24,799**	**-**	**-**	**24,789**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	24,799	-	-	24,789
d) electronic plants	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic plants	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**24,799**	**-**	**-**	**24,789**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

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

The revalued operating property, plant and equipment shown above refer to art works measured using the restatement approach.

8.4 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT FAIR VALUE

As at the reporting date, there was no investment property measured at fair value.

8.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; BREAKDOWN

As at the reporting date, there were no inventories of property, plant and equipment governed by IAS 2.

8.6 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**43,667**	**311,579**	**117,857**	**47,893**	**99,301**	**620,297**
A.1 Total net impairment writedowns	50	129,403	90,509	42,768	97,193	359,923
A.2 Opening net balance	43,617	182,176	27,348	5,125	2,108	260,374
B. Increases	**-**	**4,728**	**49**	**1,252**	**383**	**6,412**
B.1 Purchases	-	-	49	1,252	381	1,682
B.2 Capitalized improvement expenses	-	1,172	-	-	-	1,172
B.3 Recoveries	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	3,472	X	X	X	3,472
B.7 Other changes	-	84	-	-	2	86
C. Decreases	**-11,307**	**-48,255**	**-883**	**-4,492**	**-1,450**	**-66,387**
C.1 Sales	-	-340	-	-	-	-340
C.2 Depreciation	-	-7,998	-825	-1,674	-1,082	-11,579
C.3 Impairment losses recognized through:	-10,071	-39,896	-	-2,816	-347	-53,130
a) Equity	-	-	-	-	-	-
b) Profit or loss	-10,071	-39,896	-	-2,816	-347	-53,130
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-1,236	-	-47	-	-1	-1,284
a) Investment property	-1,236	-	X	X	X	-1,236
b) Non-current assets held for sale and discontinued operations	-	-	-47	-	-1	-48
C.7 Other changes	-	-21	-11	-2	-20	-54
D. Closing net balance	**32,310**	**138,649**	**26,514**	**1,885**	**1,041**	**200,399**
D.1 Total net impairment writedowns	10,121	177,120	89,861	44,053	95,400	416,555
D.2 Closing gross balance	42,431	315,769	116,375	45,938	96,441	616,954
E. Measurement at cost	-	-	-	-	-	-

All property, equipment and investment property are valued at cost, adjusted by the relative depreciation and any impairment losses/reversals of impairment losses, except for the artistic heritage included in the category of furniture and measured using the revaluation model.

8.6 OPERATING PROPERTY, PLANT AND EQUIPMENT - RIGHTS OF USE ACQUIRED THROUGH LEASES: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**-**	**149,797**	**-**	**9,016**	**2,963**	**161,776**
A.1 Total net impairment writedowns	-	30,747	-	4,466	1,451	36,664
A.2 Opening net balance	-	119,050	-	4,550	1,512	125,112
B. Increases	**-**	**10,802**	**-**	**86**	**419**	**11,307**
B.1 Purchases	-	1,247	-	-	170	1,417
B.2 Capitalized improvement expenses	-	482	-	-	-	482
B.3 Recoveries	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	
B.7 Other changes	-	9,073	-	86	249	9,408
C. Decreases	**-**	**-33,797**	**-**	**-3,955**	**-975**	**-38,727**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-15,284	-	-2,205	-945	-18,434
C.3 Impairment losses recognized through:	-	-6,165	-	-	-	-6,165
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-6,165	-	-	-	-6,165
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) Investment property	-	-	X	X	X	-
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-12,348	-	-1,750	-30	-14,128
D. Closing net balance	**-**	**96,055**	**-**	**681**	**956**	**97,692**
D.1 Total net impairment writedowns	-	46,030	-	6,670	2,396	55,096
D.2 Closing gross balance	-	142,085	-	7,351	3,352	152,788
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

8.7 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening gross balance	**12,608**	**128,435**
A.1 Total net impairment writedowns	174	48,599
A.2 Opening net balance	12,434	79,836
B. Increases	**1,236**	**678**
B.1 Purchases	-	260
B.2 Capitalized improvement expenses	-	49
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	1,236	-
B.7 Other changes	-	369
C. Decreases	**-4,990**	**-26,508**
C.1 Sales	-	-5
C.2 Depreciation	-	-3,099
C.3 Fair Value losses	-	-
C.4 impairment losses	-4,632	-17,825
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-5,579
a) operating assets	-	-3,472
b) Non-current assets held for sale and discontinued operations	-	-2,107
C.7 Other changes	-358	-
D. Closing net balance	**8,680**	**54,006**
D.1 Total net impairment writedowns	4,806	68,570
D.2 Closing gross balance	13,486	122,576
E. Measurement at fair value	**10,043**	**61,695**

All property, equipment and investment property are measured at cost, adjusted by the relative depreciation and any impairment losses/recoveries.

The amount of rents received from the lease of investment property is recognised in other operating income and broken down in table 14.2 of the Section of the Notes to financial statements of the Income statement to which reference is made.

8.7 INVESTMENT PROPERTY – RIGHTS OF USE ACQUIRED THROUGH LEASES: CHANGES FOR THE YEAR

	Total 31 Dec. 2021	
	Land	Buildings
A. Opening gross balance	**-**	**7,890**
A.1 Total net impairment writedowns	-	2,019
A.2 Opening net balance	-	5,871
B. Increases	**-**	**4,272**
B.1 Purchases	-	-
B.2 Capitalized improvement expenses	-	107
B.3 Fair value gains	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	4,165
C. Decreases	**-**	**-1,951**
C.1 Sales	-	-
C.2 Depreciation	-	-750
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-1,159
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	-42
D. Closing net balance	**-**	**8,192**
D.1 Total net impairment writedowns	-	2,768
D.2 Closing gross balance	-	10,960
E. Measurement at fair value	**-**	**8,192**

8.9 COMMITMENTS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, there were no commitments for purchases of property, plant and equipment.

Section 9 – Intangible assets – Item 90

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**-**	X	**-**
A.2 Other intangible assets	**1,757**	**-**	**18,099**	**-**
of which. software	1,757	-	18,099	-
A.2.1 Assets measured at cost:	1,757	-	18,099	-
a) Internally generated intangible assets	1,140	-	11,654	-
b) Other assets	617	-	6,445	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**1,757**	**-**	**18,099**	**-**

9.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets other:		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening balance	**464,584**	**32,227**	**-**	**94,767**	**-**	**591,578**
A.1 Total net impairment writedowns	464,584	20,573	-	88,322	-	**573,479**
A.2 Opening net balance	-	11,654	-	6,445	-	18,099
B. Increases	**-**	**932**	**-**	**2,489**	**-**	**3,421**
B.1 Purchases	-	-	-	556	-	**556**
B.2 Increases in internal intangible assets	X	932	-	1,933	-	**2,865**
B.3 Recoveries	X	-	-	-	-	**-**
B.4 Fair value gains		-	-	-	-	**-**
- through equity	X	-	-	-	-	**-**
- through profit and loss	X	-	-	-	-	**-**
B.5 Positive foreign exchange differences	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**-11,446**	**-**	**-8,317**	**-**	**-19,763**
C.1 Sales	-	-	-	-	-	**-**
C.2 Value adjustments	-	-11,418	-	-8,130	-	**-19,548**
Amortization	X	-5,610	-	-2,971	-	**-8,581**
- Impairment writedowns:		-5,808	-	-5,158	-	**-10,966**
+ Equity	X	-	-	-	-	**-**
+ Profit and loss	-	-5,808	-	-5,158	-	**-10,966**
C.3 Fair Value losses:		-	-	-	-	**-**
- through equity	X	-	-	-	-	**-**
- through profit and loss	X	-	-	-	-	**-**
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	**-**
C.5 Negative foreign exchange differences	-	-	-	-	-	**-**
C.6 Other changes	-	-28	-	-188	-	**-216**
D. Closing net balance	**-**	**1,140**	**-**	**617**	**-**	**1,757**
D.1 Total net value adjustments	464,584	31,990	-	96,452	-	**593,026**
E. Closing gross balance	**464,584**	**33,130**	**-**	**97,069**	**-**	**594,783**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key:
DEF: Finite life
INDEF: Indefinite life

Section 10 – Tax Assets and Tax Liabilities - Item 100 of Assets and Item 60 of Liabilities

10.1 DEFERRED TAX ASSETS: BREAKDOWN

	Italian corporate income tax (IRES)	IRAP	31 Dec. 2021	31 Dec. 2020
Financial assets measured at fair value through other comprehensive income	-	358	358	56
Measurement of due from banks	22	-	22	31
Measurement of loans to customers	317,570	47,376	364,946	384,516
Non-deductible depreciation of property, plant and equipment	28,152	4,621	32,773	5,176
Impairment, tax exemption and amortization of intangible assets	134,876	27,030	161,906	158,194
Provisioning for employee severance benefits	1,465	-	1,465	1,787
Other provisioning	52,118	3,328	55,446	27,046
Tax losses that can be carried forward	356,471	-	356,471	60,032
Other	10,454	400	10,854	27,148
Offsetting effect of deferred taxes	-	-	-	-9,138
Total	**901,128**	**83,113**	**984,241**	**654,848**

Deferred tax assets at 31 December 2021 relating to the “Measurement of loans to customers” include EUR 227960 thousand relating to Italian Law 214/2011, while those relating to the “Impairment, exemption and amortisation of intangible assets” include EUR 146,715 thousand relating to Italian Law 214/2011.
Deferred tax assets related to “Tax losses that may be carried forward in the future” increased as a result of the recognition of DTAs previously not recognised as illustrated below.
“Other” deferred tax assets also include deferred tax assets for ACE deductions.

10.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	Italian corporate income tax (IRES)	IRAP	31 Dec. 2021	31 Dec. 2020
Financial assets measured at fair value through other comprehensive income	300	65	365	3,054
Capital gains from disposal	161	654	815	1,312
Art heritage	4,433	-	4,433	4,433
Other	624	125	749	967
Offsetting effect of deferred taxes	-	-	-	-9,138
Total	**5,518**	**844**	**6,362**	**628**

10.3 CHANGES IN DEFERRED TAX ASSETS (THROUGH PROFIT OR LOSS)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**641,094**	**670,212**
2. Increases	**379,760**	**69,945**
2.1 Deferred tax assets recognized in the year	374,935	67,823
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) Recoveries	-	-
d) other	374,935	67,823
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4,826	2,122
3. Decreases	**-56,025**	**-99,063**
3.1 Deferred tax assets derecognized in the year	-31,471	-59,643
a) reversals	-31,471	-59,643
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-24,554	-39,420
a) conversion into tax credits pursuant to L. 214/2011	-	-
b) other	-24,554	-39,420
4. Closing balance	**964,829**	**641,094**

10.3BIS CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**373,823**	**373,823**
2. Increases	**871**	**7,150**
3. Decreases	**-**	**-7,150**
3.1 Reversals	-	-7,150
3.2 Conversion into tax credits	-	-
a) from loss for the year	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**374,694**	**373,823**

10.4 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**-**	**-**
2. Increases	**2,289**	**2,309**
2.1 Deferred tax liabilities recognized in the year	2	186
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	2	186
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,287	2,123
3. Decreases	**-724**	**-2,309**
3.1 Deferred tax liabilities derecognized in the year	-724	-569
a) reversals	-724	-569
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-1,740
4. Closing balance	**1,565**	**-**

10.5 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY/OCI)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Opening balance	**13,754**	**15,725**
2. Increases	**7,909**	**11,389**
2.1 Deferred tax assets recognized in the year	511	3,727
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	511	3,727
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	7,398	7,662
3. Decreases	**-2,251**	**-13,360**
3.1 Deferred tax assets derecognized in the year	-129	-5,962
a) reversals	-	-5,962
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	-129	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-2,122	-7,398
4. Closing balance	**19,412**	**13,754**

10.6 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	Total 31 Dec. 2021	Total 31 Dec. 2020
1. Opening balance	**628**	**636**
2. Increases	**7,404**	**7,674**
2.1 Deferred tax liabilities recognized in the year	6	12
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	6	12
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	7,398	7,662
3. Decreases	**-3,235**	**-7,682**
3.1 Deferred tax liabilities derecognized in the year	-2,687	-284
a) reversals	-2,687	-284
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-548	-7,398
4. Closing balance	**4,797**	**628**

10.7 OTHER INFORMATION

Patent box

In December 2021, a Patent Box agreement regarding the 2016 tax period was signed with Agenzia delle Entrate (the Italian Revenue Agency), the applications for which had been filed in that year. The benefit applied for consists in the detaxation of the income portion virtually resulting from patents in force in 2016 for the 2016/2020 period. The final benefit from the agreement, regarding the five-year period specified above, and recognized in the tax items of the income statement, under the DTA recognized on the tax loss for the period amounts to approximately EUR 5 million.

Aid to economic growth

Article 1 of Italian Decree Law no. 201 of 6 December 2011 introduced effective as of the tax periods underway on 31 December 2011, a tax benefit that consists in the deduction from the taxable income of notional returns on equity contributions. The measure is called "ACE" ("Aid to economic growth") and is an incentive to capitalization through contributions in cash and to reinvestment in the enterprise.

The tax relief consists in the annual deduction from the Italian corporate income tax (IRES) of an amount equal to the product of the notional return rate (1.3%) times the equity increase as at the end of FY 2010, within the equity reported in the financial statements for the period, excluding reserve for the purchase of treasury shares. The ACE total benefit for the period came to approximately EUR 5.3 million in terms of higher tax credit for the Italian Regional Tax on Productive Activities (IRAP).

Moreover, upon filing of the 2020 income and IRAP tax returns, the ACE surplus for the period was converted into tax credits for IRAP, totalling EUR 6.2 million. The total IRAP tax credit recognized as at 31 December 2021, net of the portions used, was EUR 24.2 million and was reclassified under item "tax assets a) current". For ACE surplus accrued in previous FYs deferred tax assets were recognized in an amount of about EUR 1.6 million.

Conversion of deferred tax assets into tax credits

Article 2 of Italian Decree Law no. 225 of 29 December 2010 ("Milleproroghe" decree) allows the conversion into tax assets of deferred tax assets or DTA. recognized relating to impairment losses on loans and receivables of banks and financial companies and to goodwill and other intangible assets. Article 17 of Italian Decree Law no. 83 of 27 June 2015 ordered that the regulation for the conversion into tax asset is not applicable to the DTA, relating to the value of goodwill and of other intangible assets, recognised for the first time in the financial statements related to the current financial year on 27 June 2015, date of entry into force of this Article.

Briefly, the regulation that allows the conversion of deferred tax assets provides that::

- Upon the occurrence of losses for the year recognised, the DTA are converted into tax credits The conversion applies in an amount equal to the portion of the loss for the year that correspond to the ratio between the DTA and the amount of share capital and reserves;
- any portion of the mentioned DTA that contributes to the formation of a tax loss for IRES purposes or of a negative value of production with reference to IRAP, is converted into tax assets by disabling the limits of recoverability contemplated for tax losses;
- The tax credit is non-interest bearing. It can be used, without amount restrictions, offsetting against other tax (including those deriving from the withholding agent activity) and contributory liabilities within each bank and tax consolidation Moreover, the credit can be transferred at nominal value in accordance with the procedure as per Article 43-ter of Italian Presidential Decree 602/1973 and can be claimed as a reimbursement of the residual portion after offsetting

The deferred tax assets recognised in the consolidated financial statements are mainly due to impairment losses of loans and receivables exceeding the immediate deductibility limit expected by the tax regulation and to goodwill falling within the scope of application of the above regulations that, at the end of 2021, amounted to EUR 374.7 million. In 2021 DTA were converted into tax credits for modest amounts.

Finally, deferred tax assets related to impairment losses made by the banks and by the other financial subjects on loans and receivables with customers and related to goodwill and other intangible assets were recognised in the financial statements as their recovery is not affected by large future taxable income, because in any case they can be recovered also as tax credits.

Article 11 of Italian Law Decree no. 59 of 3 May 2016, as amended, establishes that companies affected by the provisions that envisage the transformation of deferred tax assets into tax assets - referred to in Article 2, paragraphs 55 to 57, of Italian Law Decree no. 225 of 29 December 2010 - may opt to maintain the application of the above provisions, with respect to those deferred tax assets for which there is no actual tax payment. This option is irrevocable and entails the obligation to pay an annual fee until the financial year at 31 December 2030. The fee is determined on an annual basis by applying the rate of 1.5% to the difference between i) the amount of deferred tax assets arising as from 31 December 2007 and of deferred tax assets converted into tax credits and ii) paid taxes as resulting at the end of the previous financial year.. The fee is not due if the amount of taxes paid exceeds the amount of deferred tax assets. The fee for 2021 amounted to approximately EUR 2.8 million.

Business Combinations Conversion of DTAs for losses with payment of a commission

Italian Law no. 178 of 30 December 2020 (2021 Budget Law) at Article 1 paragraphs 233-243 introduced the possibility, in case of business combinations through merger, demerger or transfer of business units and resolved by the General Meeting of Shareholders or by another Body competent by law between 1 January 2021 and 31 December 2021 given to the entity resulting from the merger or to the surviving entity, assignee or transferee, to obtain the conversion into tax credits of deferred tax assets (DTA)referring to the components given below:

- Tax losses accrued up to the tax period before the under underway on the date of effectiveness of the transaction, not yet deducted from taxable income under Article 84 of the Italian Consolidated Law on Income Taxes (Italian Presidential Decree no. 917 of 22 December 1986), governing the calculation and carryforward of tax losses as at the same date;
- Amount of the notional return exceeding the net total income under Article 1, paragraph 4, of Italian Decree Law no. 201 of 6 December 2011, known as ACE surplus, accrued until the tax period before the one underway on the date of legal effectiveness of the transaction and not yet deducted and not converted into tax credits as at the same date.

Deferred tax assets referring to the above-reported components may be converted into tax credits also if they have not been recognized.

Under the resolutions adopted by Crédit Agricole Italia concerning Creval merger by absorption, it was also resolved to exercise the option for the conversion of DTA on tax losses and ACE surplus, both recognized and not recognized, pertaining to Creval as at 31 December 2020 for an amount of about EUR 240.7 million.

Probability test

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out by the Parent Company Crédit Agricole Italia and confirmed their full recoverability.

For the probability test calculation, profits and losses for tax purposes in the coming FYs were simulated, starting from the assumed profit or losses for those FYs and taking into account, for that purpose, the permanent increases and decreases that can be estimated, as well as the release of temporary differences, both positive and negative, expected for that period.

Besides the recovery of the aforementioned temporary differences, the calculation also showed that the DTA for tax losses can be recovered over a modest time horizon, which, in the most likely scenario, is five years. Other possible scenarios of more severe, albeit reasonable, stress were also assumed, taking into account decreases in profits or higher recovery of temporary difference assets than deemed likely, and recoverability was confirmed. It may be useful to point out that the main portion of the recognized DTAs consists of so-called "convertible" DTAs, i.e. DTAs whose recoverability does not depend on future profit or loss, as they may be converted in true tax credits, receivable form the Inland Revenue Agency in case of statutory or tax losses. The total amount of the DTA on which probability tests were conducted is Euro 368.8 million.

Section 11 – Non-current assets held for sale and discontinued operations – Item 110 of Assets and Item 70 of Liabilities

11.1 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS: BREAKDOWN BY TYPE OF ASSET

	31 Dec. 2021	31 Dec. 2020
A. Assets held for sale		
A.1 Financial assets	242,130	3,775
A.2 Equity investments	35,000	-
A.3 Property, plant and equipment	-	7,955
of which: obtained through the enforcement of guarantees received	-	94
A.4 Intangible assets	-	-
A.5 Other non-current assets	427	-
Total (A)	**277,557**	**11,730**
Of which measured at cost	35,427	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	242,130	11,730
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-	-
B.2. Financial assets measured at fair value through other comprehensive income	-	-
B.3. Financial assets measured at amortized cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
Of which measured at cost	-	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Dye and payables	211	-
C.2 Securities	-	-
C.3 Other liabilities	6,535	-
Total (C)	**6,746**	**-**
Of which measured at cost	6,535	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	211	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortized cost	-	-
D.2Financial liabilities held for trading	-	-
D.3Financial liabilities designated at fair value	-	-
D.4 Funds	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
Of which measured at cost	-	-
Of which measured at fair value level 1	-	-
Of which measured at fair value level 2	-	-
Of which measured at fair value level 3	-	-

The above items also report the assets and liabilities concerning the demerger of the leasing unit scheduled for Q1 2022, as well as all the equity investment in Creval PiùFactor, a company that is going to be sold by the end of Q1 2022.

Stage 2 financial assets came to Euro 32.4 million, whereas Stage 3 financial assets came to Euro 29.4 million.

Section 12 – Other assets – Item 120

12.1 OTHER ASSETS: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Amounts due from the tax authorities	40,975	39,923
Cheques drawn to be settled	21,055	21,671
Counterparts for securities and coupon payments to be received	68	20
Sundry items to be charged to customers and banks	29,855	26,277
Advanced costs and other payments	1,917	2,180
Receivables related to the supply of goods and services	3,537	2,901
Leasehold improvements	229	636
Accrued income not allocated to other items	949	904
Other items	42,272	26,529
Total	**140,857**	**121,041**

Liabilities

Section 1 - Financial liabilities measured at amortized cost - Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1 Due to central banks	**4,932,772**	**X**	**X**	**X**	**3,479,456**	**X**	**X**	**X**
2. Due to banks	**41,594**	**X**	**X**	**X**	**60,537**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	21,456	X	X	X	33,974	X	X	X
2.2 Time deposits	121	X	X	X	-	X	X	X
2.3 Loans	17,128	X	X	X	24,842	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	17,128	X	X	X	24,842	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-	X	X	X	-	X	X	X
2.6 Other due and payables	2,889	X	X	X	1,721	X	X	X
Total	**4,974,366**	**-**	**4,904,313**	**25,572**	**3,539,993**	**-**	**3,453,642**	**61,090**

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

Item "1. Item "Due to central banks" reports the exposure to the European Central Bank della Banca for TLTRO-III. Item "2.3.2 Loans – other" mainly reports loans received from the European Investment Bank.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/Values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	16,108,357	X	X	X	14,505,744	X	X	X
2. Time deposits	1,004,624	X	X	X	1,569,625	X	X	X
3. Loans	190,839	X	X	X	633,413	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	319,294	X	X	X
3.2 Other	190,839	X	X	X	314,119	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	121,404	X	X	X	142,342	X	X	X
6. Other due and payables	77,733	X	X	X	371,396	X	X	X
Total	**17,502,957**	**-**	**1,215,000**	**16,306,562**	**17,222,520**	**-**	**2,232,947**	**15,019,303**

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

Item “3.2 Loans - other” refers mainly to medium to long-term loans received by Cassa Depositi e Prestiti following the agreement between ABI and Cassa Depositi e Prestiti in support of SMEs. Item “6. “Other due and payables” refers to the amount due to SPE Quadrivio SME 2018 of Euro 44,313 thousand (Euro 313,757 thousand at 31 December 2020) a figure reporting also the amount due to SPE Quadrivio RMBS 2011 - securitization terminated in. 2021).

1.3 FINANCIAL LIABILITIES AT AMORTIZED COST: BREAKDOWN BY TYPE OF SECURITIES ISSUED

Type of securities/values	Total 31 Dec. 2021				Total 31 Dec. 2020			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 Bonds	455,607	466,001	1,544	-	554,358	171,067	408,450	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 other	455,607	466,001	1,544	-	554,358	171,067	408,450	-
2. Other securities	82,906	-	83,072	-	99,455	-	99,802	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	82,906	-	83,072	-	99,455	-	99,802	-
Total	**538,513**	**466,001**	**84,616**	**-**	**653,813**	**171,067**	**508,252**	**-**

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

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

As at the reporting date there were no subordinated liabilities to banks and customers. Subordinated securities referred to

- Credito Valtellinese issue 8,25% 2017/2027 (ISIN XS1590496987) for a nominal amount of Euro 150 million with maturity on 12 April 2027. The issues provide for an early repayment option as of 12 April 2022.

1.5 BREAKDOWN OF STRUCTURED LIABILITIES

At the end of 2021 there were no structured liabilities to banks and to customers.

1.6 LEASE LIABILITIES

The maturities of finance lease liabilities are given below:

- Euro 16,551 thousand by 31 December 2022;
- Euro 14,266 thousand by 31 December 2023;
- Euro 14,373 thousand by 31 December 2024;
- Euro 13,574 thousand by 31 December 2025;
- Euro 11,815 thousand by 31 December 2026;
- Euro 50,825 thousand beyond 5 years.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	Total 31 Dec. 2021					Total 31 Dec. 2020				
	NV	Fair Value			Fair value(*)	NV	Fair Value			Fair value(*)
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1 Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities										
3.1 Bonds										
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities						-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1 Financial Derivatives										
1.1 Held for trading	X	-	379	-	X	X	-	80	-	X
1.2 Associated with THE fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit Derivatives						-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with the THE fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**379**	**-**	**X**	**X**	**-**	**80**	**-**	**X**
Total (A+B)	**X**	**-**	**379**	**-**	**X**	**X**	**-**	**80**	**-**	**X**

Key:
NV = nominal or notional value
L1 = Level 1
L2= Level 2
L3= Level 3
Fair value (*) = fair value calculated excluding value changes resulting from an alteration in the issuer's credit rating after the date of issue.

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

As at the reporting date, there were no subordinated financial liabilities held for trading.

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

As at the reporting date, there were no structured financial liabilities held for trading.

Section 4 – Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	Fair value 31 Dec. 2021			NV 31 Dec. 2021	Fair value 31 Dec. 2020			NV 31 Dec. 2020
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	**-**	**126,409**	**-**	**300,000**	**-**	**159,057**	**-**	**300,000**
1) Fair value	-	126,409	-	300,000	-	159,057	-	300,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**126,409**	**-**	**300,000**	**-**	**159,057**	**-**	**300,000**

Key:
NV = nominal or notional value
L1 = Level 1
L2= Level 2
L3= Level 3

The outstanding hedging derivatives are represented by IRS purchased to hedge the interest rate risk on Italian government securities (BTP) included in the banking book of Financial assets at amortised cost.

4.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND BY TYPE OF HEDGE

Transactions/Type of hedge	Fair value							Cash flows		Investments In foreign operations
	Micro- hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Currencies and gold	Credit	Commodities	Other				
1 Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	126,409	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**126,409**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax Liabilities – Item 60

Please, see Section 10 of assets.

Section 7 - Liabilities associated with non-current assets held for sale and discontinued operations

Please, see Section 11 of assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31 Dec. 2021	31 Dec. 2020
Amounts due to tax authorities for indirect taxes	121	1,577
Amount payable to social security institutions	10,188	10,202
Amounts due to government agencies on behalf of third parties	39,627	40,608
Sundry items to be credited to customers and banks	21,745	30,373
Amounts available to customers	21,538	32,272
Amounts payable to employees	10,466	13,602
Value date differences on portfolio transactions	132,237	105,985
Items in transit between branches	137	805
Accruals other than those capitalized	1,973	2,664
Payables related to the supply of goods and services	17,770	26,772
Share-based payments – IFRS 2	4,600	3,346
Sundry and residual items	120,252	111,760
Total	**380,654**	**379,966**

Section 9 – Employee severance benefits – Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	31 Dec. 2021	31 Dec. 2020
A. Opening balance	**38,260**	**36,681**
B. Increases	**10,701**	**12,498**
B.1 Provision for the year	10,701	10,617
B.2 Other changes	-	1,881
C. Decreases	**-11,862**	**-10,919**
C.1 Severance payments	-849	-557
C.2 Other changes	-11,013	-10,362
D. Closing balance	**37,099**	**38,260**

Item “B.2 Other changes” or item “C.2 Other changes” report actuarial gains and losses. Item C.2 “Other decreases” includes, in addition to the above, the amounts transferred to the Group Pension Fund and the Treasury Fund of INPS or paid in payroll to the employee.

9.2 OTHER INFORMATION

The post-employment benefits may be included among the defined benefit plans not directly financed. This amount has been actuarially calculated, for all group companies, in accordance with the "Projected Unit Credit Method" and using the following actuarial assumptions:

Actuarial assumptions	2021	2020
Mortality rate	ISTAT 2019 tables	ISTAT 2018 tables
Disability rate	INPS-1998 tables	INPS-1998 tables
Personnel turnover rate	0.7%	1.5%
Discount rate	0.3%	0.3%
Salary increase rate	1.75%	1.8%
Advance rate	0.7%	0.7%
Inflation rate	1.75%	1.8%

As at 31 December 2021 a 0.30% rate was used. In the event of shifts in the interest rate curve by +0.5%, the decrease in the provision would be EUR 1,647 thousand, whereas a decrease in the rate of -0.5% would imply an increase in the provision of EUR 1,557 thousand (Euro 38,655 thousand).. With regard to inflation, the rate used at 31 December 2021 was 1.75%. Assuming an increase in the parameter of +0.5% il the provision would increase by Euro 1,052 thousand, (Euro 38,151 thousand), whereas an decrease in the rate of -0.5% would cause the provision to increase by Euro 1,018 thousand (Euro 36,080 thousand).

Reconciliation of the opening and closing balances of the defined benefit liability:

	31 Dec. 2021
Opening balance	**38,260**
Use of post-employment benefits	-849
Interest expenses	113
Service cost	-
Actuarial gains/losses	-425
Changes for non-recurring transactions	-
Other changes	-
Closing balance	**37,099**

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Provisions for credit risk on commitments and financial guarantees given	6,003	6,585
2. Provisions for other commitments and guarantees given	19,071	6,707
3. Company pension plans	1,784	1,840
4. Other provisions for risks and charges	188,733	92,272
4.1 Legal and tax-related disputes	33,103	13,930
4.2 Personnel expenses	72,485	57,909
4.3 Other	83,145	20,433
Total	**215,591**	**107,404**

The change in item "4.2 personnel expenses" resulted from the provision for the 2021 Next Generation 2021 and payments for services covered by the 2016 and 2018 redundancy funds.

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions: legal disputes	Other provisions: personnel expenses	Other provisions: other
A. Opening balance	**6,707**	**1,840**	**13,930**	**57,909**	**20,433**
B. Increases	**12,364**	**32**	**22,047**	**42,547**	**68,243**
B.1 Provision for the year	12,364	-	22,047	42,478	68,243
B.2 Changes due to passage of time	-	14	-	-	-
B.3 Changes due to alterations in the discount rate	-	-	-	69	-
B.4 Other changes	-	18	-	-	-
C. Decreases	**-**	**-88**	**-2,874**	**-27,971**	**-5,531**
C.1 Use in the year	-	-	-2,756	-26,963	-5,531
C.2 Changes due to alterations in the discount rate	-	-86	-	-	-
C.3 Other changes	-	-2	-118	-1,008	-
D. Closing balance	**19,071**	**1,784**	**33,103**	**72,485**	**83,145**

Item "B.4 Other changes" or item "C.3 Other changes" report actuarial gains and losses.

10.3 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
Commitments to disburse funds	1,897	216	2,306	-	4,419
Financial guarantees given	235	37	1,312	-	1,584
Total	**2,132**	**253**	**3,618**	**-**	**6,003**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2018, there were no provisions for other commitments and guarantees given.

10.5 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Information on the characteristics of defined-benefit plans and risks associated with them

Having regard to its pension plans, Credito Valtellinese has an obligation to the Group Pension Plan as to the permanence over time of the technical balance of defined-benefit Section II of the Group Pension Plan until there are no more people entailed to the benefits.

2. Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

As at 31 December 2021 the actuarial value of the defined-benefit obligation was Euro 8,687 thousand. In 2021 benefits/repayments totalled Euro 1,123 thousand, service costs came to Euro 7 thousand, interest expenses accrued were Euro 75 thousand, and actuarial gains were recognized amounting to Euro 64 thousand.

3. Disclosure of the fair value of the plan assets

The assets serving the plan that was transferred to defined-benefit Section of the Group pension fund consist in cash and cash equivalents amounting to Euro 6,903 thousand.

4. Description of the main actuarial assumptions

The main assumptions used are represented below.

Actuarial assumptions	2021	2020
Mortality rate	A62I tables	A62I tables
Disability rate	INPS-1998 tables	INPS-1998 tables
Discount rate	0.80%	0.80%
Inflation rate	1.80%	1.75%
Pension revaluation rate	0.99%	0.99%

6. Multi-employer plans

As at the reporting date, there were no multi-employer plans

7. Defined-benefit plans that share risks between various entities under common control

As at the reporting date, there were no defined-benefit plans that share risks between various entities under common control

10.6 PROVISIONS FOR RISKS AND CHARGES - OTHER PROVISIONS

Other provisions for legal disputes mainly refer to compound interest (Euro 17,138 thousand) financial instruments (Euro 1,637 thousand), out-of-court claims (Euro 2,633 thousand), bankruptcy revocatory actions (Euro 1,854 thousand), labour law disputes (Euro 962 thousand), lawsuits for bad loans disposed of (Euro 7,314 thousand) and other lawsuits (Euro 11,665 thousand).

Other provisions for personnel expenses also include voluntary redundancy provisions for 2016, 2018 and 2021 determined based on actuarial valuations for Euro 63,732 thousand and other provisions for personnel for Euro 8,495 thousand concerning incentives.

For further details on the nature of legal risks, please refer to the specific chapter of part E of the Notes to the financial statements.

Section 12 - Parent Company Shareholders' Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 SHARE CAPITAL AND TREASURY SHARES: BREAKDOWN

As at the reporting date, the share capital, fully paid in, amounted to Euro 1,643,508,053.60 and consisted of 70,149.694 ordinary shares with no nominal value.

12.2 SHARE CAPITAL - NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**70,149,694**	**-**
- fully paid in	70,149,694	-
- partially paid in	-	-
A.1 Treasury shares (-)	-6	-
A.2 Outstanding shares: opening balance	70,149,688	-
B. Increases	**6**	**-**
B.1 New issues	-	-
- for a consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	6	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**70,149,694**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares - closing balance	70,149,694	-
- fully paid in	70,149,694	-
- partially paid in	-	-

12.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	5,012
Extraordinary reserve	79,114
Reserve of profits on disposal of equity securities designated at fair value through other comprehensive income	-229
Negative reserve from realization of actuarial losses regarding the ex CV and ex CA pension fund	-7,517
Reserve from share-based payments(*)	46
Distributable reserve on FV FA under Art.. 6 LD 38/2005	8,480
Undistributable reserve on FV FA under Art. . 6 LD 38/2005	615
Total reserves	**85,521**

(*) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to Employees and Directors

OTHER INFORMATION

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

	Notional value on commitments and financial guarantees given				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI		
1. Commitments to disburse funds	**4,898,582**	**76,052**	**19,345**	**-**	**4,993,979**	**4,897,105**
a) Central Banks	-	-	-	-	**-**	**-**
b) Public administration bodies	461,227	31,132	-	-	**492,359**	**303,515**
c) Banks	403	3,452	-	-	**3,855**	**5,537**
d) Other financial companies	647,709	3,031	199	-	**650,939**	**344,758**
e) non-financial corporations	3,147,070	26,453	17,791	-	**3,191,314**	**3,576,834**
f) Households	642,173	11,984	1,355	-	**655,512**	**666,461**
2. Financial guarantees given	**196,470**	**2,176**	**2,962**	**-**	**201,608**	**219,432**
a) Central Banks	-	-	-	-	**-**	**-**
b) Public administration bodies	15	-	-	-	**15**	**-**
c) Banks	46,467	-	-	-	**46,467**	**46,496**
d) Other financial companies	135	-	-	-	**135**	**314**
e) non-financial corporations	143,588	2,030	2,628	-	**148,246**	**165,736**
f) Households	6,265	146	334	-	**6,745**	**6,886**

2. Other commitments and guarantees given

Nominal value	31 Dec. 2021	31 Dec. 2020
1. Other guarantees given	**393,670**	**417,953**
of which non-performing	29,861	28,414
a) Central Banks	-	-
b) Public administration bodies	3,758	3,225
c) Banks	4,192	7,726
d) Other financial companies	9,302	14,058
e) non-financial corporations	346,490	361,251
f) Households	29,928	31,693
2. Other commitments	**44,065**	**12,905**
of which non-performing	-	-
a) Central Banks	-	-
b) Public administration bodies	4,466	3,048
c) Banks	30,521	-
d) Other financial companies	9,078	9,857
e) non-financial corporations	-	-
f) Households	-	-

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	31 Dec. 2021	31 Dec. 2020
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	76,254	92,332
3. Financial assets measured at amortized cost	6,413,316	5,236,885
4. Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

The assets indicated above were used as a guarantee for funding repurchase agreements, issue of bank drafts, derivatives, securities issued during securitisation transactions, loans from the European Central Bank (recognised among due to central banks in the table "Financial liabilities at amortised cost: breakdown by type of due to banks"), loans received from the European Investment Bank (recognised among due to banks - Loans in the table "Financial liabilities at amortised cost: breakdown by type of due to banks") and from Cassa Depositi e Prestiti (recognised among due to customers - Loans in the table "Financial liabilities at amortised cost: breakdown by type of due to customers").

4. Management and intermediation services

Type of services	31 Dec. 2021	31 Dec. 2020
1. Trading on behalf of customers	**-**	**-**
a) Purchases	-	-
1. settled	-	-
2. not yet settled	-	-
b) Sales	-	-
1. settled	-	-
2. not yet settled	-	-
2. Portfolio management	**-**	**-**
3. Custody and administration of securities	**10,673,020**	**12,119,717**
a) Third-party securities on deposit held for depository bank services (excluding asset management)	-	-
1. Securities issued by the reporting Bank	-	-
2. other securities		-
b) securities of third parties deposited (excluding portfolio management): other	2,564,261	2,723,230
1. Securities issued by the reporting Bank	18,561	27,222
2. other securities	2,545,700	2,696,008
c) third-party securities deposited with third parties	2,375,547	2,481,910
c) proprietary securities deposited with third parties	5,733,212	6,914,577
4. Other transactions	**3,606,978**	**3,219,142**

Item 3. d) "treasury securities deposited with third parties" also includes treasury securities not recognised under assets coming from securitisations and reverse repurchase agreements.
The amount under item "4. Other transactions" refers to customers' insurance investments.

5. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

IFRS 7 requires specific disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, as they are governed by "master netting agreements or similar arrangements" that do not comply with all the requirements laid down by IAS 32 for netting.

There are no netting agreements for which to offset the balances in the balance sheet pursuant to IAS 32

As regards instruments that can be potentially offset, the tables below show the financial instruments regulated by the following agreements:

- For derivative instruments: "ISDA Master Agreement" clearing house netting arrangements;
- For repurchase agreements for lending and funding purposes: "Global Master Repurchase Agreements (GMRA)";
- For securities lending: "Global Master Securities Lending Agreements (GMSLA)".

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2021	Net amount 31 Dec. 2020
				Deposited financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	-	-	-		-	-	-
2. Repurchase agreements	-	-	-	-	-	-	2,420
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	**-**	**-**	**-**	**-**	**-**	**-**	**X**
Total 31 Dec. 2020	**417,010**	**-**	**417,010**	**414,590**	**-**	**X**	**2,420**

6. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset (b)	Net amount of financial liabilities recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2021	Net amount 31 Dec. 2020
				Deposited financial Instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	126,409	-	126,409	-	126,330	79	307
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31 Dec. 2021	**126,409**	**-**	**126,409**	**-**	**126,330**	**79**	**X**
Total 31 Dec. 2020	**478,351**	**-**	**478,351**	**319,294**	**158,750**	**X**	**307**

The derivatives stated in the table are measured at fair value, whereas the other items are measured at amortized cost. Derivatives are stated in the tables of financial assets and liabilities contained in the previous Sections.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Financial assets measured at fair value through profit or loss	140	-	-	140	445
1.1 Financial assets held for trading	1	-	-	1	6
1.2 b. Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	139	-	-	139	439
2. Financial assets measured at fair value through other comprehensive income	6,109	-	X	6,109	6,484
3. Financial assets measured at amortized cost	54,244	309,508	-	363,752	400,658
3.1 Due from banks	1,317	359	X	1,676	2,318
3.2 Loans to customers	52,927	309,149	X	362,076	398,340
4. Hedging derivatives	X	X	(14,385)	(14,385)	(13,670)
5. Other assets	X	X	324	324	2
6. Financial liabilities	X	X	X	47,436	25,304
Total	**60,493**	**309,508**	**(14,061)**	**403,376**	**419,223**
of which: interest income on impaired financial assets	-	24,504	-	24,504	43,156
of which: interest income on finance leases	X	5,174	X	5,174	5,961

Item "4. Hedging Derivatives" reports the balance of differentials on hedging derivatives stated not in accordance with the differential sign but rather with the sign of the interest flow that the derivatives modify. Item "6. Financial liabilities" mainly reports interest income relating to TLTRO-II.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 Interest income on foreign-currency financial assets

	31 Dec. 2021	31 Dec. 2020
Interest on foreign-currency assets	258	594

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Financial liabilities measured at amortized cost					
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(179)	X	X	(179)	(1,034)
1.3 Due to customers	(36,134)	X	X	(36,134)	(52,328)
1.4 Debt securities issued	X	(22,895)	X	(22,895)	(25,476)
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	-	-	-
6. Financial assets	X	X	X	(13,940)	(3,071)
Total	**(36,313)**	**(22,895)**	**-**	**(73,148)**	**(81,909)**
Of which: interest expenses on lease liabilities	(4,798)	X	X	(4,798)	(5,634)

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 Interest expense on foreign-currency financial assets

	31 Dec. 2021	31 Dec. 2020
Interest on foreign-currency liabilities	(215)	(299)

1.5 DIFFERENTIALS ON HEDGING TRANSACTIONS

Items	31 Dec. 2021	31 Dec. 2020
A. Positive differentials on hedging transactions	3,615	4,346
B. Negative differentials on hedging transactions	(18,000)	(18,016)
C. Balance (A-B)	**(14,385)**	**(13,670)**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	**45,093**	**35,956**
1. Placement of securities	40,913	31,873
1.1 With firm commitment underwriting and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	40,913	31,873
2. Receipt and transmission of orders and trading on customers' behalf	3,883	3,841
2.1 Receipt and transmission of orders for one or more financial instruments	3,881	3,841
2.2 Trading on behalf of customers	2	-
3. Other fees and commissions on activities in financial Instruments	297	242
Of which: proprietary trading	-	-
Of which: individual portfolio management	-	-
b) Corporate Finance	**1,012**	**928**
1. M&A advice	-	-
2. Treasury services	1,012	928
3. Other fees and commissions on corporate finance services	-	-
c) Investing advice	**-**	**-**
d) Clearing and settlement	**-**	**-**
e) Custody and administration	**525**	**478**
1. Depositary bank services	50	-
2. Other fees and commissions on custody and administration	475	478
f) Central administrative services for collective portfolio management	**-**	**-**
g) Fiduciary activities	**-**	**-**
h) Payment services	**127,859**	**120,871**
1. Current accounts	53,916	53,675
2. Credit cards	29,336	24,186
3. Debit cards and other payment cards	14,300	13,648
4. Credit transfers and other payment orders	26,946	26,116
5. Other fees and commissions on payment services	3,361	3,246
i) Distribution of third-party services	**41,670**	**34,174**
1. Collective portfolio management	-	-
2. Insurance products	24,586	20,258
3. Other products	17,084	13,916
Of which: individual portfolio management	7,955	8,110
j) Structured finance	**609**	**128**
k) Securitization servicing	**336**	**343**
l) Commitments to disburse funds	**1**	**1**
m) Financial guarantees given	**5,089**	**5,396**
Of which: credit derivatives	-	-
n) Financing transactions	**32,855**	**41,355**
Of which: for factoring	-	-
j) Foreign exchange trading	**2,874**	**2,896**
p) Commodities	**-**	**-**
q) Other fee and commission income	**7,795**	**9,337**
Of which: for management of multilateral trading facilities	-	-
Of which: management of organized trading facilities	-	-
Total	**265,718**	**251,863**

Fee and commission income reported under item “o) Financing transactions ” refer to fee and commissions on arranged overdraft facility for Euro 30,547 thousand and fees and commission on loans origination deriving from financial assets not designated at fair value through profit or loss for Euro 2,308 thousand.

Item “q) Other fee and commission income” reports Internet banking fees and commissions for Euro 6,212 thousand.

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

Channels/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) At own branches:	**82,582**	**66,047**
1. portfolio management	-	-
2. placement of securities	40,913	31,873
3. third party products and services	41,669	34,174
b) off-premises distribution:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Type of services/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
a) Financial instruments	**(648)**	**(363)**
Of which trading in financial instruments	(648)	(363)
Of which: placement of financial instruments	-	-
Of which: individual portfolio management	-	-
- On own account	-	-
- Delegated by third parties	-	-
b) Clearing and settlement	**(140)**	**(151)**
f) Custody and administration	**(788)**	**(886)**
d) Collection and payment services	**(23,247)**	**(20,610)**
Of which: credit cards, debit cards and other payment cards	(21,578)	(18,850)
e) Securitization servicing	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**(800)**	**(1,063)**
Of which: credit derivatives	-	-
h) Off-premises distribution of financial instruments, products and services	**-**	**-**
i) Foreign exchange trading	**(1)**	**(1)**
j) Other fee and commission expenses	**(289)**	**(663)**
Total	**(25,913)**	**(23,737)**

Section 3 – Dividend and similar income - Item 70

3.1 DIVIDEND AND SIMILAR INCOME: BREAKDOWN

Items/Revenues	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	7	-	1	2
B. Other financial assets mandatorily measured at fair value	-	1,056	-	642
C. Financial assets measured at fair value through other comprehensive income	116	-	116	-
D. Equity investments	1,215	-	1,184	-
Total	**1,338**	**1,056**	**1,301**	**644**

Similar income relating to item "B. Other financial assets mandatorily measured at fair value" mainly consists of income from OICR (Collective Investment Undertakings) units.

Dividend income from equity investments is dividend received in the period, mainly from Generalfinance S.p.A.

Section 4 - Net profits (losses) on trading activities – Item 80

4.1 NET PROFITS (LOSSES) ON TRADING ACTIVITIES: BREAKDOWN

Transactions/income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1 Financial assets held for trading	**-**	**72**	**-**	**(21)**	**51**
1.1 Debt securities	-	-	-	(1)	(1)
1.2 Equity securities	-	70	-	(5)	65
1.3 Units of O.I.C.R. collective investment undertakings	-	2	-	(15)	(13)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due and payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**184**
4. Derivatives	**-**	**3**	**-**	**-**	**1,188**
4.1 Financial derivatives:					
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and equity indices	-	3	-	-	3
- On foreign exchange and gold	X	X	X	X	1,185
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
Total	**-**	**75**	**-**	**(21)**	**1,423**

Section 5 - Net profits (losses) on hedging activities - Item 90

5.1 NET PROFITS (LOSSES) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Income from:		
A.1 Fair value hedging derivatives	31,410	-
A.2 Hedged financial assets (fair value)	-	6,969
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging financial derivatives	-	-
A.5. Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**31,410**	**6,969**
B. Expenses for:		
B.1 Fair value hedging derivatives	-	(7,139)
B.2 Hedged financial assets (fair value)	(31,331)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging financial derivatives	-	-
B.5. Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)	**(31,331)**	**(7,139)**
C. Net profit (loss) on hedging activities (A - B)	**79**	**(170)**
of which: fair value adjustments in hedge accounting on net positions	-	-

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 PROFITS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN

Items/Income components	Total 31 Dec. 2021			Total 31 Dec. 2020		
	Profits	Losses	Net Profit (loss)	Profits	Losses	Net Profit (loss)
A. Financial Assets						
1. Financial assets measured at amortized cost						
1.1 Due from banks	183	-	183	-	-	-
1.2 Loans to customers	25,985	(41,454)	(15,469)	28,163	(6,780)	21,383
2. Financial assets measured at fair value through other comprehensive income						
2.1 Debt securities	609	(711)	(102)	1,247	-	1,247
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**26,777**	**(42,165)**	**(15,388)**	**29,410**	**(6,780)**	**22,630**
B. Financial liabilities measured at amortized cost						
1 Due to banks	-	-	-	-	-	-
2. Due to Customers	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Profits (losses) reported under item "1.2 Loans to and receivables from customers" refer to realized gains on debt securities (mainly trading of Italian government securities for Euro 14,700 thousand, while the remaining portion refers to the Stelvio project, which is described in the Management Report, and to single disposals of loans.

Section 7 - Net profit (loss) on 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 MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE

In the period there were no financial assets and liabilities designated at fair value.

7.2 NET CHANGE IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE

Transactions/income components	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net profit (loss) [(A+B) - (C+D)]
1 Financial assets	**-**	**87**	**(51,306)**	**(937)**	**(52,156)**
1.1 Debt securities	-	-	(893)	-	(893)
1.2 Equity securities	-	59	-	(821)	(762)
1.3 Units of O.I.C.R. collective investment undertakings	-	28	(50,413)	(116)	(50,501)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	-
Total	**-**	**87**	**(51,306)**	**(937)**	**(52,156)**

The capital losses on O.I.C.R. collective investment undertakings resulted from the application of the Parent Company's measurement models and policy, as described in Part A of the Notes to the financial statements

Section 8 - Net adjustments/recoveries for credit risk - Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Transactions/income components	Value adjustments					
	Stage 1	Stage 2	Stage 3		POCI assets	
			Write-off	Other	Write-off	Other
A. Due from Banks	**(15)**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-	-
- Debt securities	(15)	-	-	-	-	-
B. Loans to customers	**(25,822)**	**-**	**(5,930)**	**(418,734)**	**-**	**-**
- Loans	(21,852)	-	(5,930)	(418,734)	-	-
- Debt securities	(3,970)	-	-	-	-	-
Total	**(25,837)**	**-**	**(5,930)**	**(418,734)**	**-**	**-**

Key:
1 = from interest
2 = other recoveries

Transactions/income components	Recoveries				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI assets		
A. Due from Banks	**22**	**24**	**-**	**-**	**31**	**362**
- Loans	12	24	-	-	36	336
- Debt securities	10	-	-	-	(5)	26
B. Loans to customers	**384**	**1,697**	**20,321**	**-**	**(428,084)**	**(110,789)**
- Loans	-	1,697	20,321	-	(424,498)	(111,393)
- Debt securities	384	-	-	-	(3,586)	604
Total	**406**	**1,721**	**20,321**	**-**	**(428,053)**	**(110,427)**

Adjustments of/recoveries on financial assets at amortized cost classified as assets held for sale under IFRS 5 came to Euro 41.1 million.

8.1a NET ADJUSTMENTS FOR CREDIT RISK ON LOANS MEASURED AT AMORTIZED COST UNDER COVID-19 SUPPORT MEASURES: BREAKDOWN

Transactions/income components	Net adjustments						31 Dec. 2021	31 Dec. 2020
	Stage 1	Stage 2	Stage 3		POCI assets			
			Write-off	Other	Write-off	Other		
1 Loans with EBA-compliant concessions	(980)	(10,798)	-	(46,342)	-	-	(58,120)	(1,739)
2. Loans under moratoria in force no longer EBA- compliant and not assessed as forborne	(54)	(69)	-	(7,988)	-	-	(8,111)	(70)
3. Loans under other concession measures	-	(2,679)	-	(19,851)	-	-	(22,530)	(199)
4. New loans	(3,932)	(244)	-	(6,091)	-	-	(10,267)	(2,483)
Total 31 Dec. 2021	**(4,966)**	**(13,790)**	**-**	**(80,272)**	**-**	**-**	**(99,028)**	**-**
Total 31 Dec. 2020	**(3,393)**	**-**	**-**	**(1,098)**	**-**	**-**	**-**	**(4,491)**

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AL FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Losses (1)					
	Stage 1	Stage 2	Stage 3		POCI assets	
			Write-off	Other	Write-off	Other
A. Debt securities	**(737)**	**-**	**-**	**-**	**-**	**-**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**
- to customers	-	-	-	-	-	-
- to banks	-	-	-	-	-	-
Total	**(737)**	**-**	**-**	**-**	**-**	**-**

Key:
1 = from interest
2 = other recoveries

Transactions/income components	Recoveries (2)				Total 31 Dec. 2021	Total 31 Dec. 2020
	Stage 1	Stage 2	Stage 3	POCI assets		
A. Debt securities	165	145	-	-	(427)	930
B. Loans	-	-	-	-	-	-
- to customers	-	-	-	-	-	-
- to banks	-	-	-	-	-	-
Total	**165**	**145**	**-**	**-**	**(427)**	**930**

Key
1 = from interest
2 = other recoveries

Section 9 - Profits/losses on contract modifications without derecognition - Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

This item, amounting to Euro 366 thousand, refers to the adjustment made to the carrying amounts of financial assets as a result of the changes made to contractual cash flows that do not give rise to derecognitions.i.

Section 10 - Administrative expenses – Item 160

10.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1) Employees	(284,185)	(240,760)
a) wages and salaries	(162,799)	(158,725)
b) social security contributions	(50,961)	(47,738)
c) severance benefits	(10,481)	(10,281)
d) pensions	-	-
e) allocation to employee severance benefit provision	(344)	(336)
f) allocation to provision for post-employment and similar obligations:		
- defined-contribution	-	-
- defined-benefit	(22)	(351)
g) payment to external supplementary pension schemes:		
- defined-contribution	(7,180)	(5,783)
- defined-benefit	-	-
h) costs from share-based payment agreements	(2,580)	(654)
i) other employee benefits	(49,818)	(16,892)
2) Other staff	(12)	-
3) Directors and Auditors	(1,968)	(3,254)
4) Retired personnel	(1)	-
5) Expense recovery for employees seconded to other companies	1,252	1,353
6) Expense refund for third parties' employees seconded to the company	(780)	-
Total	**(285,694)**	**(242,661)**

Item i) "Other employee benefits" reports a 2021 expense for Euro 37.8 million for the voluntary redundancy plan in accordance with the agreements signed with the trade unions on 1 October 2021.

10.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31 Dec. 2021	31 Dec. 2020
Employees:	3,231	3,309
a) Senior Managers	32	32
b) Junior Managers	1,348	1,339
c) other Employees	1,851	1,938
Other staff	-	-
Total	**3,231**	**3,309**

10.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Please, see Section B – Pension plans.

10.4 OTHER EMPLOYEE BENEFITS

Other employee benefits include for 2021 bonuses and incentive systems and wage increases, meal voucher expenses, scholarships for the children of the employees and insurance policies.

10.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Expenses for professional and advisory services	(14,754)	(20,739)
Insurance premiums	(8,447)	(2,849)
Advertising	(492)	(424)
Postage, telephone and data transfer	(4,945)	(5,285)
IT services	(24,321)	(25,539)
Electricity, heating and shared property service charges	(6,273)	(6,324)
Administrative and logistics costs	(1,696)	(1,840)
Property management	(7,559)	(7,686)
Transport and travel	(1,125)	(1,072)
Security and transport of valuables	(2,888)	(3,158)
Membership fees	(1,688)	(2,018)
Audit fees	(918)	(991)
Maintenance and lease of hardware and software	(6,622)	(6,636)
Business and financial information	(5,250)	(5,405)
Rent expenses	(829)	(815)
- indirect personnel expenses	(700)	(544)
Direct and indirect taxes	(39,780)	(40,541)
SRF, DGS and additional contributions	(25,747)	(26,282)
Miscellaneous items	(10,179)	(9,802)
Total	**(164,213)**	**(167,950)**

Item "SRF, DGS and additional contributions" includes the ordinary and extraordinary contributions requested by the Single Resolution Fund (SRF) and by the Interbank Guarantee Fund (DGS).

The Bank of Italy, with the notice of 28 April 2020, announced the amount of ordinary contributions due by the Bank to the Single Resolution Fund of EUR 9,675 thousand net of IPCs (Irrevocable Payment Commitments Moreover, on 17 June 2021, payment was requested of an additional contribution for a total amount of EUR 3,081 thousand With notice of 17 December 2021, the Interbank Deposit Protection Fund requested payment of the 2021 ordinary contribution amounting to Euro 14,554 thousand. The item also includes contributions for the operating expenses of the SRF and DGS funds paid during the year amounting to Euro 73 thousand.

Item “Miscellaneous items” includes DTA fees of Euro 2,741 thousand and donations to Fondazione Credito Valtellinese for Euro 600 thousand.

With regard to the average payment times for transactions carried out during the year, note that these are made on the basis of agreements with counterparties or, in the absence of a specific agreement, at 30 days from the invoice date for counterparties for which there are no discrepancies between the order and the provision of the service/good received.

The amounts paid to the independent audit firm PricewaterhouseCoopers SpA. and its network companies pursuant to Article 2427, first paragraph, sub- paragraph 16-bis of the Italian Civil Code can be found in the annexes to the financial statements

Section 11 – Net provisions for risks and charges - Item 170

11.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

Items	31 Dec. 2021	31 Dec. 2020
Commitments to disburse funds	(185)	(542)
Financial guarantees given	752	(355)
Total	**567**	**(897)**

11.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

Items	31 Dec. 2021	31 Dec. 2020
Other commitments to disburse funds	-	-
Other financial guarantees given	(12,365)	1,738
Total	**(12,365)**	**1,738**

11.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

Items	31 Dec. 2021	31 Dec. 2020
Provisions for lawsuits in which the Bank is the defendant and revocatory actions	**(22,048)**	**3,298**
-reallocations	1,764	5,546
- provisions	(23,812)	(2,248)
Provisions for other risks and charges	**(68,243)**	**(7,840)**
-reallocations	4,379	1,627
- provisions	(72,622)	(9,467)
Total	**(90,291)**	**(4,542)**

Section 12 – Net adjustments to/recoveries on property, plant and equipment – Item 180

12.1 NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	depreciation (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a+b-c)
A. Property, plant and equipment:				
1 Operating assets				
- owned	(11,578)	(53,129)	-	(64,707)
- Rights of use acquired through leases	(18,433)	(6,165)	-	(24,598)
2. Investment property				
- owned	(3,099)	(22,457)	-	(25,556)
- Rights of use acquired through leases	(750)	(1,159)	-	(1,909)
3. Inventories	X	-	-	-
Total	**(33,860)**	**(82,910)**	**-**	**(116,770)**

Section 13 – Net adjustments to/recoveries on intangible assets – Item 190

13.1 NET ADJUSTMENTS TO INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a+b-c)
A. Intangible assets	**(8,581)**	**(10,966)**	**-**	**(19,547)**
- of which. software	(8,581)	(10,966)	-	(19,547)
A.1 Owned	(8,581)	(10,966)	-	(19,547)
- Internally generated	(5,610)	(5,808)	-	(11,418)
- Other	(2,971)	(5,158)	-	(8,129)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(8,581)**	**(10,966)**	**-**	**(19,547)**

Intangible assets, both internally generated and purchased, were software. Impairment refers to the reduction in the useful life of the assets resulting from the merger of Credito Valtellinese into Crédit Agricole Italia scheduled for April 2022.

Section 14 - Other operating expenses and income - Item 200

14.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Amortization of expenditure for leasehold improvements	(471)	(626)
Penalties	(1,713)	-
Other expenses	(3,068)	(5,900)
Total	**(5,252)**	**(6,526)**

14.2 OPERATING INCOME: BREAKDOWN

Type of expense/Values	31 Dec. 2021	31 Dec. 2020
Rent and sub-rent income	2,010	2,688
Rent income from group companies	56	52
Loan application processing expenses recovered	240	442
Income from IT services	6,483	6,537
Income form other services	874	879
Indirect taxes recovered	34,989	35,753
Expenses on services to group companies recovered	365	393
Insurance policy fees recovered	826	867
Legal and notary expenses recovered	1,648	2,270
Other income	2,799	8,578
Total	**50,290**	**58,459**

Item “Other income” includes insurance refunds.

Section 15 – Profits (losses) on equity investments - Item 220

15.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Income	-	2,502
1. Revaluations	-	-
2. Profits on disposal	-	195
3. Recoveries	-	-
4. Other income	-	2,307
B. Expenses	(11,921)	(3,650)
1. Writedowns	-	-
2. Losses on impairment	(11,921)	(3,650)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**(11,921)**	**(1,148)**

The writedows refer to subsidiary Stelline Real Estate S.p.A.

Section 18 – Profits (losses) on disposal of investments - Item 250

18.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Real estate		
- Profits on disposal	1,555	203
- Losses on disposal	-	-
B. Other assets		
- Profits on disposal	-	33,136
- Losses on disposal	-	(2)
Net profit (loss)	**1,555**	**33,337**

Profits on disposal of 2020 mainly referred to the disposal of the pawnbrokerage business.

Section 19 -Taxes on income from continuing operations - Item 270

19.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values	Total 31 Dec. 2021	Total 31 Dec. 2020
1 Current taxes (-)	-	-
2. Changes in current taxes for previous years (+/-)	-	1,278
3. Reduction in current taxes for the year (+)	-	-
3.bis Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	343,464	8,180
5. Change in deferred tax liabilities (+/-)	722	382
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	344,186	9,840

19.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED - ITALIAN CORPORATE INCOME TAX (IRES)

	31 Dec. 2021
Profit (Loss) before tax from continuing operations	**(575,371)**
Taxable Profit (Loss)	**(575,371)**
IRES theoretical tax liability	**158,227**
Effect of non-deductible negative income components	(6,274)
Effect of non-taxable positive income components	189,287
IRES actual tax liability	**341,240**
- on continuing operations	**341,240**

19.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED - ITALIAN REGIONAL TAX ON PRODUCTIVE ACTIVITIES (IRAP)

	31 Dec. 2021
Profit (Loss) before tax from continuing operations	**(575,371)**
Taxable Profit (Loss)	**(575,371)**
IRAP theoretical tax liability	**32,048**
Effect of non-deductible negative income components	(30,489)
Effect of non-taxable positive income components	1,387
IRAP actual tax liability	**2,946**
- on continuing operations	**2,946**

Section 22 – Earnings (Loss) per share

Please, see the same section of the Notes to the financial statements of the Parent Company Crédit Agricole Italia.

PART D – COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items		31 Dec. 2021	31 Dec. 2020
10.	Profit (Loss) for the period	(231,185)	109,329
Other income components not reclassified to profit or loss		**(5,322)**	**4,868**
20.	Equity securities designated at fair value through other comprehensive income	(6,144)	(389)
	a) Fair value change	(6,348)	(803)
	b) Transfers to other equity components	204	414
70.	Defined-benefit plans	428	7,139
100.	Income taxes for other income components not reclassified to profit or loss	394	(1,882)
Other income components reclassified to profit or loss		**(5,401)**	**139**
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(8,069)	208
	a) Fair value changes	(11,087)	(840)
	b) reclassification to profit or loss	3,018	1,048
	- adjustments for credit risk	(120)	(6)
	- profit/losses on disposal	3,138	1,054
180.	Income taxes for other income components reclassified to profit or loss	2,668	(69)
190.	**Total other comprehensive income**	**(10,723)**	**5,007**
200.	**Comprehensive income (10+190)**	**(241,908)**	**114,336**

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1 – Credit Risk

QUALITATIVE DISCLOSURES

1. GENERAL ASPECTS

Credit risk is primarily defined as the risk of insolvency or default of the counterparty, i.e. as “the possibility for the creditor that a financial obligation will not be settled at maturity or later”. Credit risk may also occur as:

- Deterioration of the creditworthiness of counterparties with a credit line (migration risk);
- Increase in exposure before the insolvency of a counterparty with a credit line (exposure risk;
- Decrease in the rate of collection of delinquent loans (collection risk).).

Therefore, as part of its lending activity, the Bank is exposed to the risk that some loans may not be repaid, because of the deterioration of the financial conditions of the obligor, either at maturity or later and may therefore have to be derecognised in all or in part. The possible causes of non-fulfilment are mainly due to the inability of the borrower to repay the debt (for example, liquidity shortage or insolvency). This risk is taken when carrying out the traditional lending activity, regardless of the specific technical form in which the loan is originated.

The purpose of the lending strategies and policies followed in lending practices is to:

- Make concrete and operational the statutory principles that express the corporate identity - a Group oriented to financing the real economy of the areas in which the Group operates, SMEs and households in particular - and inspire its guidelines for carrying out its lending activity;
- Steer the loans portfolio composition towards the optimisation of the ratio between the expected return and credit risk, with a view to realigning the risk-adjusted profitability to the cost of capital and limiting the concentration of exposures on single counterparties/groups, on single business segments or geographical areas;
- Support the monitoring of the credit risk management by applying policies, processes, methods and standard IT procedures.

Authorisation to use internal models

The supervisory regulations envisage two methods for calculating the capital requirement: the Standardised approach and the Internal Rating Base (IRB) method, in which risk weightings are based on assessments made internally by the banks on debtors.

The internal ratings method is in turn divided into a foundation IRB (Foundation Internal Rating Based - FIRB) and an advanced IRB (Advanced Internal Rating Based - A-IRB), differentiated according to the risk parameters to be estimated by banks; in the foundation approach, banks use their own PD estimates and regulatory values for other risk parameters, while in the advanced approach, the latter are also internally estimated.

Since 25 September 2018 Credito Valtellinese has been authorized:

- To use the internal A-IRB credit risk measurement system, for the “Exposures to Corporate enterprises” and “Retail exposures” regulatory classes, pursuant to Article 143 of Regulation (EU) no. 575/2013;
- To gradually extend the model according to a defined plan pursuant to Article 148 of Regulation (EU) no. 575/2013;
- To use the permanent partial approach for the categories of eligible exposures pursuant to Article 150 of Regulation (EU) no. 575/2013 and in particular “Exposures to central governments and central banks”, “Exposures in equity instruments”, “Elements representing securitisation positions” and “Other assets other than loans”.

Having specific regard to the first point, the risk parameters for which the authorization was given are listed below:

- *Probability of Default* (PD), probability that the borrowing counterparty will default;
- *Loss Given Default* (LGD), expected loss rate at the time of default of the borrowing counterparty.;
- *Exposure At Default* (EAD), expected exposure of the borrowing counterparty at the time of default (except for corporate counterparties falling under the "Exposures to enterprises" regulatory exposure class").

For Specialised Lending falling within the class of "Exposures to enterprises", the Group is authorised to apply the regulatory method known as "Slotting Criteria".

No changes were made to the validated internal models vs. 31 December 2020. In H2 2021, the Bank adopted the prudential measures requested by the ECB within the Return to Compliance Plan to manage the transition period before the finalization of the corporate and IT merger into Crédit Agricole Italia.

2. CREDIT RISK MANAGEMENT POLICIES

Impacts generated by the Covid-19 pandemic

Given the persistence of the Covid-19 health emergency, the Bank continued to implement the measures deployed by the Italian Government and by the Supervisory Authorities, aimed at supporting income and liquidity of households and businesses, among which material ones are loan repayment moratoria and public guarantees (Sace and Central Guarantee Fund) on new loans to businesses.

Among the measures deployed by the Supervisory Authorities, worth mentioning are the European Banking Authority Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), adopted by the Bank of Italy in May 2020. The Guidelines specify the criteria for the classification of a moratorium as a "general payment moratorium" and specify the correct prudential treatment of the exposures under legislative and non-legislative moratoria. More specifically, they clarify that the application of a moratorium should not in itself lead to the exposure being classified as forborne, whether they are performing or non-performing, unless the exposure was already classified as such before the application of the moratorium.

With regard to exposures as a whole, note that the disbursements were made in compliance with Creval's lending strategies and policies, which seek to provide support to the real economy of the local areas it operates in (SMEs and households, in particular) and to guide the composition of the loans portfolio, optimising the risk- adjusted profitability, limiting the concentration of exposures to individual counterparties/groups, single sectors or economic activity and geographical areas.

The potential impact of the above-mentioned transactions on the risk profile of the Bank is mitigated by the acquisition of the above-mentioned public guarantees, by adopting a specific process to assess and monitor the customer's risk profile and by boosting the organisational units dedicated to the assessment and monitoring process. Specifically, for this type of operations, an origination process was defined and adopted characterised by the application of specific controls aimed at checking the existence of the requirements and obligations envisaged by the regulations and assessing the creditworthiness of the customer, also through the analysis of the reasons for the financial difficulty in order to find out how temporary it is and how it can be traced back to the particular economic situation.. The loan monitoring process is intended to verify that all the counterparties involved are going concerns, as well as the performance of their operations, and to verify whether there is the need for any debt restructuring, also through the origination of a portion of additional financing, as permitted by current regulations

2.1 ORGANIZATIONAL ASPECTS

The main roles and structures engaged in credit risk governance are the Chief Risk Officer (CRO) Area and the Chief Lending Officer (CLO) Area, which ensure planning and management, as well as control of risks.

The CLO Area operationally sets out and monitors lending policies; assesses the creditworthiness of proposed credit lines and, if applicable, decides or issues an opinion; sees to proactive loan management, the management and control of non-performing loans; ensures correct measurement for financial reporting purposes of positions classified as non-performing loans that fall within the role's scope; supports the relevant ICT units in the design of lending operational processes.

The CRO Area is responsible for structuring the Risk Appetite Framework as part of the management of credit risks, in line with the company objectives and strategies, and ensures the measurement and control of the Group's risk exposures; it defines the metrics for measuring credit risk, calculates Internal Economic Capital; it implements the second-level controls set forth in the supervisory regulations; it performs specialist controls on ratings and evaluates upgrade or downgrade override proposals formulated by the competent structures; it carries out internal validation checks on the models and processes set out in the internal frameworks; it produces summary and analytical disclosures for the Corporate Bodies and internal functions; it collaborates with the other functions in defining risk-based pricing, decision-making powers, credit policies and in the definition of the Risk Weighted Assets (RWAs). With a special reference to the valuation of performing loans on a collective basis and the valuation of non-performing loans on a statistical basis, it oversees the models for defining impairment losses.

The lending process as a whole comprises sub-processes, which are formalized in specific policies laying down the main directions for lending and the organizational controls to be adopted. The processes are supported by specific electronic procedures enabling harmonized application of the set rules. In this scope, the following elements are particularly important:

- The lending policies, updated annually, make it possible to steer the composition of the performing loan portfolio towards optimising the ratio of expected return to credit risk;
- The credit rating process, approval and management of positions, allows lending activities to be carried out on the basis of guidelines and standard processes and on the basis of delegated powers to authorise loans. With regard to all the credit risks (Corporate, Retail and Individuals) macro-segments, the credit rating process is based on the internal rating system, which is essential for assessing the creditworthiness of borrowers. . The decision-making process related to the credit is supported by internal procedures (Electronic Credit Line and Rating) that manage the lending process (contact with customers, set up, credit disbursement and management) and the rating assignment process, respectively;
- The loan predictive management process aimed at early identification of financial difficulties (early warning system) and the automation level;
- The process of classifying, validating and writing-off non-performing loans defines uniform and detailed criteria:
  - For the classification of loans and receivables as non-performing, with specific triggers for the classification as unlikely to pay and bad loans;;
  - For determining the value of the loan and receivable/impairments for positions classified as non-performing;
  - On write-off and debt-forgiveness of non-performing loans.

The entire lending process undergoes the controls carried out internally by the Loans Department and by the company's control functions (Risk Management function, Internal Validation function and Internal Audit Function) in order to ensure the most precision in assessing risk, by maintaining a lean and efficient assessment and management process.

2.2 MANAGEMENT, MEASUREMENT AND CONTROL

Credit risk is measured both at the level of the individual counterparty/transaction and at the level of the entire portfolio through a set of parameters, instruments and procedures.

Creval PD models - of the "hybrid" type (more point in time - P.I.T. score and through the cycle - T.T.C. calibration - are intended to comply with the precise rationale of obtaining risk measures that:

- Can pinpoint the key drivers at the basis of assessment of the creditworthiness of the parties the Group has or intends to assume loan exposures to;
- Are relatively stable over time over time in order to reflect at all times and in every Customer segment, the expected long-term riskiness of Creval exposures in each Customer segment;
- Can prevent uncontrolled growth of risk in the positive cycle phases and – as a reaction – indiscriminate crunch in lending in negative phases..

The estimating algorithms present in the model are the combination of accurate and rigorous statistical tests used without losing sight of the intuitiveness of the model and the economic sense of the estimates. The set of information used for estimating the rating models was defined with the aim of assessing the entire database available and developed based on the consistency with loan management practices, which was verified through active involvement of the competent corporate functions (e.g. Loans Department). The master scale adopted by the Group consists of 9 rating classes to which the related PDs (Probability of Default) correspond, i.e., the probability that a counterparty belonging to a particular rating class passes to the default state within a time horizon of one year. The PDs include an appropriate precautionary factor that takes account of the presumed margin of error contained in the estimates (known as margin of conservatism - MOC).

The models developed internally by Creval are as follows:

- Corporate Enterprises PD Model, relating to counterparties with Corporate Bnkg Enterprises and Corporate Bnkg SME credit risk segmentation;;
- Retail Enterprises PD Model, relating to counterparties with Retail Bnkg Small and Micro-Enterprises credit risk segmentation;;
- Individuals PD Model, relating to counterparties with Retail Bnkg Individuals credit risk segmentation;;
- Co-holdings PD Model, relating to co-holdings and temporary business combines (A.T.I., associazioni temporanee di impresa),for all exposure classes within the scope of application, which shall undergo specific treatment that takes into account the risk profile of counterparties with ratings assigned through the models listed above.

Specifically, the final rating assigned to a counterparty belonging to the Corporate and Retail macro- segments is the result of a statistical calculation process, supplemented by a qualitative component The statistical rating, for the Corporate and Retail Enterprises segments, summarises the information concerning the financial statements (financial statements module), the performance of the counterparty with regard to the Bank (internal performance module) and to the banking system and financial companies (external performance module - CR or CRIF module) and the economic and environmental context in which the enterprise operates (geo-sectorial module).The banking system The result expressed by the statistical rating is supplemented by the information coming from a quality questionnaire and can be changed in relation to adverse events and to the possible belonging to an economic group. The statistical rating, for the Private segment, summarises the information concerning the social and demographic component (social and demographic module), the performance of the counterparty with regard to the banking system intermediaries (internal performance module), the management of debt relations with the Bank (external performance module) and more in general, the management of relations with supervised intermediaries (CRIF module). The result expressed by the statistical rating is integrated by the information deriving from a social and demographic questionnaire, filled in the rating assignment phase in the case of first application for a credit line/increase in the existing credit lines (regardless of the amount).

Consistently with the rules applying to rating models for Corporate Enterprises, Retail Enterprises and Retail Individuals, after the calculation of the “integrated statistical rating”, a notch downgrade rule shall apply based on expert evaluations, in the presence of relevant events that concern the counterparty, with a different level of significance (“minor” events and “serious” events).

The rating has an important role in the process of granting, renewal and review of the credit in that it represents an essential and indispensable element for assessing the counterparty’s creditworthiness. The rating assignment activities summarise the quantitative and qualitative information available in support of the credit set up process, enhancing at the same time the direct relation with the customers and the knowledge gained over time of their specific characteristics. The organisational model also envisages the existence of a dedicated function, independent of the sales and granting departments, which is assigned the responsibility of managing the override process (correction of the automatic judgement expressed by the model).

A second parameter used by the Group for measuring and managing the credit risk is the Loss Given Default (LGD) that represents a loss rate in case of default, i.e. the expected value (possibly affected by adverse scenarios) of the ratio, expressed in percentage terms, between the loss due to default and the amount of exposure at the moment of default (Exposure At Default, EAD).

The estimated LGD model is unique for all exposure classes within the scope of application. The LGD model, developed with the aim of ensuring consistency with the Group’s management and recovery practices, is characterised by the estimate of two separate components:

- Estimate of the LGD - Bad loan, which consists of the loss rate historically recognised on bad loans (known as “workout LGD””). The presence of a specific parameter for the bad loan administrative status is determined by the fact that this administrative status is considered absorbent and that the credit recovery process takes place exclusively in this status. Note also that the sample for estimating LGD - Bad Loan includes, in addition to the closed bad loans, also open positions with a duration exceeding the Maximum Recovery Period (known as MRP), i.e. bad loans that are still open but, due to specific characteristics, are considered

"substantially closed": their inclusion in the sample has a prudent effect on the overall estimates. In line with the relevant regulatory guidelines, the effects of disposals of non-performing exposures have been incorporated into the estimates. In this regard, a specific component has been added to the LGD-Bad loan estimates deriving from the workout process, which takes into account both the actual sales price of the positions and future prospects for sale;
- Estimate of the Danger Rate, which consists of the probability that a position will migrate from its administrative status to the bad loan administrative status. This parameter is used to calibrate the expected loss recorded on bad loans in such a way as to make it effectively applicable also to positions classified in different administrative statuses.

In order to obtain a measure of economic loss that takes into account the costs incurred during the credit recovery process, a specific component that quantifies all the costs incurred by the Bank and not directly included in the movements of individual positions, but attributable to the overall management of non-performing positions is estimated.

For non-performing exposures, the Expected Loss best estimate (ELbe) parameter was also estimated, which represents the best possible estimate of expected loss taking into account the current economic condition, thus not including either the economic cycle component (downturn) or specific precautionary factors. The downturn component and caution factors are included in the LGD. A third parameter is the Exposure At Default (EAD) estimated internally using a single model for exposures classified as Retail Enterprises and Retail Individuals. The Exposure At Default (EAD) risk parameter represents the amount of the counterparty's exposure at the time of default and is determined by estimating the credit conversion factor "K". For the EAD model, the following elements are also estimated:
- An appropriate precautionary factor that takes account of the presumed margin of error contained in the estimates (known as margin of conservatism - MOC).
- The effects of a recessionary phase in the economic cycle on the estimated parameters (known as downturn);
- Specific "Ks" for non-performing counterparties, which take into account any further uses found between the time of the transition to default and the time of entry into bad loans

An additional parameter is the Expected Loss (EL) that represents the ratio of the amount expected to be lost on an exposure over a one-year time horizon as a result of a counterparty's potential default to the amount of the exposure at the time of default.

The Rating system plays an essential role in the Group's business processes, with a special reference to the processes of granting, managing and monitoring credit, as well as those of a strategic and commercial nature.. The rating system as a whole (IT models, processes and systems) is constantly verified by the internal validation function and by the internal audit function in order to certify the compliance of the systems with the provisions of the Supervisory Regulations, together with the need to point out areas for possible improvement, as well as any misalignments in methodologies that could lead to risks of imperfect comparability in the measures produced.

With regard to counterparty risk, that is to say the risk that the counterparty of a transaction concerning certain financial instruments is in default before the settlement of the transaction itself, the processes and procedures described above lead to a modest exposure.

Lastly, note the assessment of the risk exposure on the sovereign portfolio, for which reference is made to the following paragraphs.

The above-described measurement and control systems were not affected by changes related to the Covid-19 pandemic.

Concentration risk

Also for concentration risk management, the Group uses a specific process governed by a specific regulation within which the risk management activities are formalised and the tasks and responsibilities assigned to the different organisational units involved, the strategic guidelines, the management policies, the measurement methods, the exposure limits, the information flows and any mitigation procedure are defined.

Concentration risk measurement is the responsibility of the Credit Risk Management Division. Risk measurement is carried out at both an individual and consolidated level in order to fully identify and allocate the main sources of exposure to risk at the legal entity level. The approach followed in order to measure the concentration risk of the loans and receivables from customers' portfolio differs in accordance with whether it is generated by concentration per single party or group of related customers or geo-sectorial concentration. The Granularity Adjustment approach noted in the supervisory regulations in force is used to measure the concentration risk per single party or group of related customers. With this approach internal capital can be determined in connection with the concentration risk per single party or per group of related customers of a portfolio characterised by imperfect diversification. Information on the positions classified as "large exposure" is also important as part of the risk concentration per single party or group of related customers. In order to measure the geo-sectorial concentration risk, the method proposed by the Italian Banking Association (ABI) is followed. With this method internal capita cane be estimated in connection with the geo-sectorial concentration risk as add-on of the capital requirement for credit risk hedging, according to the distance of the level of concentration by economic sector/ATECO business code of Creval's loans portfolio compared to the concentration level of the Italian national banking system. The distance is measured by comparing the Herfindahl concentration index by economic sector/ATECO business code of the Group's loans portfolio and the same index calculated using the figures of the national banking system. By comparing the two indices, using a simulation algorithm, the internal capital for hedging the geo-sectorial concentration risk is calculated. By comparing the two indices, using a simulation algorithm, the internal capital for hedging the geo-sectorial concentration risk is calculated.

Concentration risk is limited by splitting up and diversifying the portfolio and through the resolution, by the Board of Directors, of maximum credit line amounts and maximum limits of exposure to Banks and Financial companies.

Reporting and monitoring

The structure engaged in the risk control function is responsible for monitoring and reporting on the loan portfolio. The objective of reporting on credit risk, both periodic and in response to specific requests, is to analyze the main components of said risk and their development over time in order to promptly detect any impairment symptoms and thus deploy the appropriate corrective actions. The performance of the credit risk portfolio is analysed with reference to the main drivers (such as growth and risk parameter indicators), the various customer segments, local entities, industrial sectors, as well as the performance of the default portfolio and the related hedging.

2.3 METHODS TO MEASURE EXPECTED LOSSES

In accordance with IFRS 9, the Group classifies financial instruments into three different categories (known as Stages) based on the deterioration in credit quality (or risk) potentially occurring between the reporting date and the initial recognition date (origination date), with consequent differentiation in the level of impairment losses.

The Stages are defined as follows:

- Stage 1: all financial assets for which the bank found no evidence of a "significant" increase in credit risk between origination and reporting date. This Stage has the right to also classify the instruments that, as at the reporting date, are considered to have a structurally "low" credit risk exemption – LCRE). For these financial assets, impairment losses are calculated using the "expected credit loss - ECL" with a time period of twelve months following the reporting date;
- Stage 2: all the financial assets that have shown a "significant" increase in credit risk (SICR) since the initial recognition date. The measurement of impairment losses involves estimating expected losses over the time horizon equal to the entire contractual life (lifetime and forward looking) of the exposure being valued. The macro-economic scenarios used for forward looking estimates are based on data provided by Prometeia and updated at least every six months or whenever extraordinary events with potential impacts on the estimates occur. In the reporting period there was a reduction in Stage 2 classifications of approximately 20%, which was mainly due to the monitoring of the loans portfolio with a view to limiting risks. In the same period there was also a reduction in the rate of new classifications as default;
- Stage 3: all non-performing financial assets (past due, unlikely to pay and bad loans). Adjustments are measured by means of individual impairment for UTP and bad loans above a certain threshold and a statistical approach for all past dues, UTP and bad loans below that threshold. Moreover, as required by IFRS 9, forward-looking factors that adapt the weighed-up probabilities of occurrence of the different future scenarios were included. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non-performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement

At the end of December 2021, in accordance with CAI guidelines, an adjustment factor was added to Creval expected losses (differentiated by material risk cluster) in order for Creval to align with the Parent Company values.

The breakdowns of exposures between Stage 1 and Stage 2 of performing loans to Enterprises and Individuals are given below, including the related expected loss levels over the twelve-month horizon for Stage 1 and the lifetime horizon for Stage 2. The information reported is related to gross loans to customers, excluding exposures to banks and securities.

Segment	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Corporate Bnkg Enterprises;	94.0%	6.0%	0.522%	5.294%
Retail Bnkg Enterprises	92.3%	7.7%	0.295%	5.172%
Individuals	93.3%	6.7%	0.184%	3.055%

The lower levels of ECL observed on Individuals are due to the type of products mainly supplied to these customers, i.e. mortgage loans for the purchase of their primary residence.

Type of Enterprise (only Enterprises)	Stage 1 portion	Stage 2 portion	ECL Stage 1	Stage 2 ECL
Manufacturing	96.3%	3.7%	0.356%	3.618%
Shops	96.2%	3.8%	0.344%	5.666%
Building industry	88.1%	11.9%	0.867%	5.654%
Real estate	86.2%	13.8%	0.857%	5.575%
Services	92.1%	7.9%	0.487%	5.680%

Geographical area	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Northwest Italy	93.7%	6.3%	0.341%	3.976%
Northeast Italy	94.3%	5.7%	0.427%	4.317%
Central Italy	91.6%	8.4%	0.362%	4.756%
Insular Italy	91.5%	8.5%	0.377%	4.986%
Southern Italy	96.7%	3.3%	0.809%	7.576%

Contractual maturity	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Within 5 years	95.5%	4.5%	0.412%	3.399%
From 6 to 10 years	88.6%	11.4%	0.445%	5.459%
Over 10 years	91.2%	8.8%	0.242%	4.547%

Type of repayment	Stage 1 portion	Stage 2 portion	Stage 1 ECL	Stage 2 ECL
Amortising	92.4%	7.6%	0.322%	4.112%
Non-Amortising	95.5%	4.5%	0.515%	6.276%

In order to comply with the requirements of IFRS 9, the Group prepared suitable models, the main features of which are described below::

1. Determining the SICR threshold: in the presence of 30 overdue days, forbearance measures or the increase in lifetime probabilities of default (PD) at the reporting date with respect to the origination date above the default relevant thresholds. More specifically, for each rating class, credit risk segment (Corporate Enterprises, Retail Enterprises, Individuals) and residual maturity of the loan, the SICR threshold is defined as the ratio between the cumulative lifetime through the cycle PD associated with the original rating and the cumulative lifetime through the cycle PD associated with the corresponding minimum "non-performing" rating level. The use of the low credit risk exemption simplified approach is also very limited, with exclusive reference to banking counterparties (the classification in Stage 2 is carried out if, at the reporting date, counterparties are assigned an external rating below a predefined threshold, identifying an actual increase in credit risk);
2. The inclusion of forward-looking information in the model for calculating expected losses: in line with IFRS 9, the Group also estimated the risk parameters against a lifetime horizon conditional to expectations on future macroeconomic scenarios (known as forward-looking information) through the application of specific satellite models whereby the impact of macroeconomic scenarios on individual risk parameters can be estimated. Forward-looking parameters are also adopted for the calculation of

the expected loss relating to exposures falling under Stage 3 by simulating the impacts of alternative scenarios also related to the different management options and recovery of default positions. These include, in particular, sales scenarios whereby, where the company's objectives envisage sales operations and such operations are still to be carried out, the assessment of transferable non-performing loans considers the possibility of realisation also through their sale;

3. The forecasts of future trends of the macro-economic variables adopted by the Group are those referred to the "Most likely" macro-economic scenario, i.e. the scenario considered most likely and in line with the expected macro-economic trend.. The scenario is defined by taking as a reference the forecasts provided by Prometeia and the results of reliability tests carried out through benchmarking analysis with other public source scenarios (ECB and Bank of Italy);
4. Calculation of 12-month and lifetime expected losses: the IFRS 9 estimate of the PD, LGD and EAD parameters is based on the internal models adopted by the Group for credit risk management risk, net of conservative margins and downturn components but including an Add-on (specified below) to take account of the non-linearity of the scenarios. Moreover, IFRS 9 risk parameters are adapted to incorporate forward looking information and the multi-period horizon. Specifically, the following parameters were estimated:
   - Lifetime Probability of Default (PD) which involves the use of both forward-looking point in time metrics, and through the cycle metrics, the latter solely for the purposes of classification of exposures in the IFRS 9 stages;
   - Forward looking Loss Given Default (LGD) obtained from estimates of Danger Rate and LGD-point in time forward looking bad loan components;
   - Credit Conversion Factor (CCF), which identifies the relationships existing between the CCFs historically recorded on the Group's loans portfolio and the economic and financial variables, in order to simulate the evolution of the CCFs over time in the Most Likely scenario in order to obtain forward looking estimates that reflect the point in time state of the economy.

In addition to the above risk parameters, the following additional components were estimated for the purpose of determining impairment losses on performing exposures:

- Trend of the exposure over time, significant only for amortising products;
- Probability of prepayment (early repayment of the loan applied in accordance with the Standard, limited to Stage 2 as it relates only to the lifetime component).

Creval adopts the "Most Likely scenario+Add-on" approach. Expected losses are estimated based on the impacts of the most likely scenario and corrected by a factor reflecting the non-linearity of the relationship between scenarios and expected losses. The corrective factor is defined by generating, through multivariate simulation techniques, 100,000 plausible macroeconomic scenarios whose centre is fixed on the "Most Likely" scenario and by exploiting the historical correlations observed between the macro-economic variables. Scenarios are ordered according to a directionality index based on a standardised normal distribution, whereby the severity of the impacts of each scenario cane be assessed (a very expansionary macro- economic environment is associated with an index characterised by high values, whereas a low index describes a recessive macro- economic environment). Based on this index, the scenarios are broken down in three areas:

- "Downside", the first 30% of the distribution ordered according to the directionality index, i.e. those characterised by a recessive economic environment,
- "Indifference", the central 40% of the distribution, i.e. scenarios similar to the "Most Likely" scenario,
- "Upside", the last 30%, i.e. those characterised by an expansionary economic environment.

For the "Downside" and "Upside" areas, the respective representative scenarios are identified, obtained as a median of the values observed on the individual macro-economic variables for the scenarios falling within the respective areas. Representative scenarios are used to estimate expected losses in an "Upside" or "Downside" environment. The trend of the macro-economic variables under the "Downside" and "Upside" assumptions is shown below.

VARIABLES (CAGR 2022-2024)	Upside	Downside
GDP	2.85%	1.15%
Consumer prices	1.20%	0.60%
Unemployment rate	0.09%	0.73%
Price of residential properties	0.63%	-0.97%
Price of commercial properties	1.73%	0.53%

Overall, the "Upside" scenario would generate a transfer from Stage 2 to Stage 1 of 0.4% of exposures classified as Stage 2 at 31 December 2021, the expected loss for Stage 1 (12-month loss horizon) would be reduced by 9.1% while the expected loss for Stage 2 (lifetime loss horizon) would be reduced by 6.6%. The changes are mainly attributable to the significant increase in GDP, secondarily, to the growth in the price of residential property. For the main dimensions of the analysis, there are no particular differences in terms of expected losses and distributions between Stage 1 and Stage 2.

In the "Downside" scenario, 0.1% of the exposures classified as Stage 1 at 31 December 2021 would be transferred from Stage 1 to Stage 2, the expected loss for Stage 1 (12-month loss horizon) would increase by 4.9%, while the expected loss for Stage 2 (lifetime loss horizon) would increase by 5.2%. The changes are attributable to lower GDP growth. For the main dimensions of the analysis, there are no particular differences in terms of expected losses and distributions between Stage 1 and Stage 2.

Where no internal estimates are available, the Group uses the external PD and LGD risk parameters provided by an independent ECAI at the individual security level for the banking book. To calculate the expected lifetime loss, the expected future cash flows from debt instruments are used, taking into account the related amortization schedules. Consequently, for the determination of the multi-period Exposure At Default (EAD) of bullet, amortising and zero-coupon securities, reference is made to the redemption plans of the securities in question.

Changes due to Covid-19

Given the uncertainty related to the current pandemic, prudential adjustments were made in determining collective impairment losses (Stage 1 and Stage 2) on performing loans. Specifically, this refers to:

- The use of more conservative macroeconomic scenarios than those provided by Prometeia, which lead to the following three-year estimates (this led - holding all else constant - to a prior activation of the SICR threshold):

VARIABLES (CAGR 2022-2024)	Most likely scenario
GDP	2.11%
Consumer prices	0.83%
Unemployment rate	0.46%
Price of residential properties	0.19%
Price of commercial properties	0.80%

- The application of "stressed" valuations to positions potentially at greater risk of impairment as a result of the pandemic crisis. Within the cluster of positions classified as Stage 2, the product sectors considered to have "higher Covid-19 risk" were selected and prudential adjustments were made in the determination of the related provisions, calculated using the forward-looking expected loss model required by IFRS 9.

2.4 CREDIT RISK MITIGATION TECHNIQUES

Risk mitigation techniques include instruments that help to reduce the loss the Bank would incur in the event of counterparty default, including collaterals and personal guarantees. In case of collaterals, the reduction of credit risk on the exposure arises from the Bank's right to liquidate certain assets, to transfer ownership of the collateralized asset or to reduce the credit by the amount of the collateral, in the event of default by the counterparty or on the occurrence of other specific credit events affecting the counterparty. In case of personal guarantees, the reduction of credit risk on the exposure results from the obligation of a third party to pay a certain amount upon the occurrence of a default or other specific credit events.

The origination of loans is based on the borrower's actual capacity to repay the loan but, where appropriate or required by the credit policies in question, in order to reduce credit risk, the Bank acquires from its customers the typical banking guarantees, mainly mortgages on real estate, collaterals on securities and personal guarantees

The process of acquiring, managing and using guarantees is regulated by specific internal normative instruments. The set of internal normative instruments aims at ensuring the guarantee effectiveness. Specifically, the origination of loans backed by collateral is subject to internal rules and processes for appraising the assets pledged as collateral, the collateral finalization and control of its value. Properties pledged as collateral as appraised by independent experts coordinated by the Real Estate Area of Credito Valtellinese. Property appraisals are based on a set of information regarding location, urban planning/

authorisation data, the consistency of the asset, its building characteristics, the intended use of the different portions being assessed (and then any mortgage). As part of its management activities, the Bank adopts a system aimed at monitoring the market value of real estate assets pledged as collateral for loans. This system is based on the continuous updating of a database containing information on real estate guarantees through a series of evaluations and verifications on the data Asset repossessing is assigned to the Group company Stelline Real Estate S.p.A. and to the Parent, whereas the Real Estate Area deals with property and facility management and property appraisal

The Bank also assesses any residual risk, which is defined as the risk that the recognized techniques used to mitigate credit risk prove less effective than expected. The use of these techniques may in fact expose the Group to a series of further risks (for example of an operational or legal nature) which, if they occur, may lead to a greater lending risk than had been expected due to the lower effectiveness or actual unavailability of the protection. Residual risk is mainly managed by acting on the procedural and organisational plan

The Internal Audit Department is in charge of third-level controls designed to ensure timely compliance with the obligations relating to the management of guarantees.

As regards the eligibility of guarantees for determining capital requirements, the Bank has adopted a process that steers and applies their eligibility and admissibility requirements in accordance with the supervisory regulations.

3. NON-PERFORMING EXPOSURES

3.1 MANAGEMENT STRATEGIES AND POLICIES

Non-performing loans are classified in accordance with the supervisory regulations as: non-performing past due, Unlikely to Pay and bad loans. As explained in more detail below, in addition to what is described above, the regulation introduces the concept of forborne exposure, which is defined as an exposure in respect of which "forbearance measures" have been extended to a debtor experiencing financial difficulty. Non- performing forborne exposures do not form a separate category of non-performing assets but are a characteristic of the previous categories of non-performing assets

Loans are classified as non-performing exposures either automatically or on the basis of proposals and expert assessments depending on the circumstances. The methods and procedures for the classification of loans are regulated by the Group in specific internal regulations.

Since 1 January 2021, the new definition of default has been adopted in the Bank's lending and reporting processes, in accordance with Delegated Regulation (EU) no. 529/2014 and Delegated Regulation (EU) no. 294/2015, as well as in accordance with Part 2, chapter 4, Section II of Bank of Italy Circular 285 of 17 December 2013. The new regulation provides for stricter mechanisms than those adopted to date and aim to harmonize the criteria used to classify debtors in the various countries of the European Union.

Specifically, debtors are classified as non-performing past due and/or overlimit exposures if even just one of the following conditions is met:

- The debtor is in arrears by over 90 days (in some cases like public administrations, 180) in the payment of a material debt;
- The bank believes it unlikely that the debtor will fully satisfy its obligation without recourse to action such as enforcement of guarantees.

It is pointed out that a past due debt is considered material when the amount of the arrears exceeds both the materiality thresholds given below:

- Absolute materiality threshold: Euro 100 for retail exposures and Euro 500 for all non-retail exposures;
- Relative materiality threshold: 1% of the overall exposure of the Bank to that customer.

In addition to the above, the main changes include the impossibility of offsetting past due amounts against open and undrawn credit lines (known as available margins) and the continued classification as past due and/or overdue non-performing loans for at least 90 days from the time the customer settled the payment arrears and/or the overdue amounts..

With reference to classification under Unlikely To Pay, the new law introduces an objective threshold for the measurement of the reduced financial obligation due to substantial forgiveness of the debt or deferral of the payments of capital, interest or fees/commissions. . If, as a result of the cancellation or deferral of the debt, a loss of more than 1% occurs, the Bank classifies the debtor as unlikely to pay.

The effects deriving from the application of the new rules are not material for Creval.

the classification as bad loans is made at the account manager's suggestion, as part of the continuous monitoring of the counterparty. The body in charge is called upon to carefully evaluate the proposal in order to define any resolution to classify the counterparty as bad.

Non-performing exposures may be classified back as performing, in accordance with the Supervisory regulations as well as with specific internal normative instruments, on the initiative of the Structures responsible for loan management, which,, if the relevant conditions are met, may submit a proposal for classification back to performing to the Body in charge ..

With regard to exposures classified as "non-performing past due and/or overlimit", they are automatically classified back as performing once the conditions for their classification as non-performing are no longer met after an observation period that starts from the time the debtor repays the overdue amount to such an extent that the past due amount does not breach the absolute and relative materiality thresholds.

Within Creval organization, non-performing loans are managed by specialist structures, which operate through previously set recovery procedures, differentiated according to the risk classification..

Non-performing financial assets are subject to valuation on an individual basis process aimed at determining the relevant expected losses.. The impairment loss of individual loans is equal to the difference between its carrying amount at the time of measurement (amortised cost) and the present value of the expected future cash flows, calculated using the original effective interest rate.

The expected loss and time to recovery are estimated taking into account all the factors useful for assessing the debtor's ability to repay its debts, or the Bank's ability to collect the amount due to it For this purpose, data relating to financial statements, mortgage surveys, information from the Bank of Italy Central Credit Bureau, the most recent property valuation reports, risk parameters, information obtained from third parties and documents submitted by debtors and guarantors are used.

Consistently with the applicable legislation and regulations, the Bank always assesses non- performing positions through individual impairment and, depending on the case in point, can envisage the application of one of the two cases given below:
- The use of flat-rate calculation formulas (statistical approach) based on EL best estimate for positions classified as UTP below a predefined amount threshold, for positions classified as bad loans below a predefined amount threshold and for all positions classified as past due;;
- The use of an "expert assessment" by the competent roles/bodies. This assessment is carried out upon their classification as non-performing, on the occurrence of material events and, in any case, reviewed periodically.

Specifically, non-performing financial assets classified as unlikely to pay and bad loans with a limited unit amount and as past due non-performing loans are valued on the basis of the internal statistical models applied individually to each position. Conversely, the other non-performing financial assets undergo expert assessment carried out by the specialist Structure based on criteria and rules that are compliant with the applicable legislation.

The assessment of exposures classified in stage 3 also includes forward-looking factors that adapt the weighed-up probabilities of occurrence of the different future scenarios. Specifically, alternative recovery scenarios were considered like the sale of portfolios of non-performing loans in relation to the corporate objectives to reduce the non-performing financial assets in the business plan, to which a realisation probability must be attributed, to be considered in the overall measurement

3.2 WRITE-OFF

A write-off is an event that results in derecognition when we no longer have reasonable expectations of recovering the financial asset. A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim.

The write-off of a loan is the result of an evaluation of the position made by the loan manager and can take place both for non-recoverability and because the recovery action would not be cost effective. The write-off for non-recoverability refers to cases where the Bank is in possession of documents attesting to the significant probability that the loan cannot be recovered in whole or in part. The write-off for lack of cost-effectiveness is made when it is evident, and can be demonstrated, that the costs associated with pursuing credit recovery actions (e.g. legal and administrative costs, etc.) are higher than the value of the financial asset that is expected to be recovered..

The Bank adopts formalised processes and procedures for the measurement and accounting of write-offs. Specifically, the write-off of a position is the result of a measurement made by the relevant manager. if the manager identifies the presence of a case of non-recoverability or the possibility of write-off for lack of cost effectiveness, he/she shall thoroughly analyse the credit exposure and forward the proposal for write-off to the competent decision-making body , which, after assessing the proposal itself, if it deems it appropriate, adopts the resolution

3.3 PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI) FINANCIAL ASSETS

In accordance with IFRS 9, loans considered non-performing as early as upon initial recognition, because of the associated high credit risk, are defined as Purchased or Originated Credit Impaired Assets (POCI).

If they fall under the scope of application of impairment pursuant to IFRS 9, these loans are measured by setting aside, starting from the date of initial recognition, provisions to cover losses throughout the loan residual life (known as Lifetime Expected Credit Loss).

As they are non-performing loans, they shall initially be recognized in Stage 3, and they may be classified back as performing loans (Stage 2) if they no longer show impairment.

4. RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

In addition to the positions described above, the supervisory regulations introduce the concept of forborne exposure, which is defined as an exposure in respect of which “forbearance measures” have been extended to a debtor experiencing financial difficulty..

To identify a position as forborne, which is crosswise the loan classification statuses and is not a classification status itself, two main conditions must be met:

- Granting of a forbearance measure, intended as a contractual amendment compared to the initial conditions, granted to the customer in order to enable it to fulfil its obligations (e.g.: moratorium, instalment queuing, restructuring of the repayment plan, etc.);
- Financial difficulties of the customer in fulfilling its contractual obligations.

For the purposes of the correct identification of forborne exposures, the Bank adopted special procedures characterised by a forbearance presumption algorithm and by a presumption algorithm of financial difficulty, which use information such as the administrative status, the rating and the management status of the counterparty.

The final classification as forborne is always assessed on an individual basis by the decision-making body during the loan origination or review processes. In accordance with the supervisory regulations, forborne exposures are classified (according to an approach by transaction) into two categories:

- Non-performing forborne, i.e. forborne exposures due to financial difficulties of the debtor classified as non- performing assets (bad loans, unlikely to pay, past due and/or overdue non-performing loans);
- Performing forborne, i.e. forborne exposures because of financial difficulties of the debtor classified as performing assets;

Within the processes and procedures listed above, the criteria for monitoring and reclassifying forborne loans and receivables are also formalized.

For the classification from non-performing forborne back to performing forborne, cure period of one year applies, during which the debtor must regularly and timely make the payments due. On the other hand, the counterparty is no longer classified as forborne when all the exit criteria defined by the relevant internal policies are met. Among these, the adoption of a probation period of two years from the date of which the forborne exposure was considered performing is particularly important.

Impacts generated by the Covid-19 pandemic

Among the measures deployed by the Supervisory Authorities to address the pandemic crisis, worth mentioning are the European Banking Authority Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), adopted by the Bank of Italy in May 2020.

The Guidelines specify the criteria for the classification of a moratorium as a "general payment moratorium" and specify the correct prudential treatment of the exposures under legislative and non-legislative moratoria. More specifically, they clarify that the application of a moratorium should not in itself lead to the exposure being classified as forborne, whether they are performing or non-performing, unless the exposure was already classified as such before the application of the moratorium. Creval promptly implemented the above measures. Having specific regard to positions under moratoria, consistently with the aforementioned Guidelines, Creval has adopted a system to monitor the loan and the risk exposure profile in order to prevent any increase in credit risk and detect any signs of possible defaults of the debtors. This monitoring process is intended to verify that all the counterparties involved are going concerns, as well as the performance of their operations, and to verify whether there is the need for any debt restructuring, also through the origination of a portion of additional financing, as permitted by current regulations

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely to Pay	Non-performing past due exposures	Performing past-due exposures	Other performing exposures	Total
1 Financial assets measured at amortized cost	25,205	525,764	11,348	59,430	21,790,078	**22,411,825**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	613,016	**613,016**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	1,705	**1,705**
5. Financial assets being divested	6,967	22,403	-	638	212,122	**242,130**
Total 31 Dec. 2021	**32,172**	**548,167**	**11,348**	**60,068**	**22,616,921**	**23,268,676**
Total 31 Dec. 2020	**111,437**	**356,411**	**20,644**	**70,198**	**21,424,463**	**21,983,153**

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			
	Gross exposure	Total adjustments	Net exposure	Total/partial write-offs (*)	Gross exposure	Total adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortized cost	1,166,003	-603,686	562,317	6,802	21,935,257	-85,749	21,849,508	22,411,825
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	613,921	-905	613,016	613,016
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	1,705	1,705
5. Financial assets being divested	100,129	-70,759	29,370	-	215,047	-2,287	212,760	242,130
Total 31 Dec. 2021	**1,266,132**	**-674,445**	**591,687**	**6,802**	**22,764,225**	**-88,941**	**22,676,989**	**23,268,676**
Total 31 Dec. 2020	**945,066**	**-456,574**	**488,492**	**18,754**	**21,558,105**	**-66,310**	**21,494,661**	**21,983,153**

(*) Value to be stated for disclosure purposes.

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	3,998	-	421
2. Hedging derivatives	-	-	-
Total 31 Dec. 2021	**3,998**	**-**	**421**
Total 31 Dec. 2020	**3,998**	**-**	**284**

A.1.3 Breakdown of financial assets by past due bracket (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			POCI assets		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortized cost	24,015	-	-	11,084	20,756	3,575	5,542	16,227	119,034	-	-	-
2. Financial assets measured at fair value through other comprehe nsive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets being divested	65	-	-	542	-	31	332	225	9,331	-	-	-
Total 31 Dec. 2021	**24,080**	**-**	**-**	**11,626**	**20,756**	**3,606**	**5,874**	**16,452**	**128,365**	**-**	**-**	**-**
Total 31 Dec. 2020	**14,466**	**-**	**-**	**9,557**	**18,028**	**28,146**	**2,581**	**5,332**	**349,429**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and total provisions

Reasons/Risk stages	Total adjustments					
	Stage 1 assets					
	Demand due from Banks and claims on Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**13**	**23,605**	**353**	**-**	**-**	**23,971**
Increases from purchased or originated financial assets	33	12,080	479	-	-	12,592
Derecognized items other than write-offs	-	-3,031	-145	-	-	-3,176
Net losses/recoveries for credit risk (+/-)	-11	15,007	212	-	-	15,208
Contract modifications without derecognition	-	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-	-
Other changes	-	-	-	1,072	-	1,072
Closing total adjustments	**35**	**47,661**	**899**	**1,072**	**-**	**49,667**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-
Write-offs recognized directly through profit and loss	-	-	-	-	-	-

Reasons/Risk stages	Total adjustments					
	Stage 2 assets					
	Demand due from Banks and claims on Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**27**	**42,161**	**151**	**-**	**-**	**42,339**
Increases from purchased or originated financial assets	-	-	-	-	-	-
Derecognized items other than write-offs	-19	-4,543	-	-	-	-4,562
Net losses/recoveries for credit risk (+/-)	-4	-7,216	-145	-	-	-7,365
Contract modifications without derecognition	-	7,686	-	-	-	7,686
Changes in the estimate approach	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-	-
Other changes	-	-	-	1,215	-	1,215
Closing total adjustments	**4**	**38,088**	**6**	**1,215**	**-**	**39,313**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-
Write-offs recognized directly through profit and loss	-	-	-	-	-	-

Reasons/Risk stages	Total adjustments					
	Stage 3 assets					
	Demand due from Banks and claims on Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**-**	**453,667**	**-**	**2,907**	**456,574**	**-**
Increases from purchased or originated financial assets	-	-	-	-	-	-
Derecognized items other than write-offs	-	-218,404	-	-2,907	-221,311	-
Net losses/recoveries for credit risk (+/-)	-	362,142	-	-	362,142	-
Contract modifications without derecognition	-	31,473	-	-	31,473	-
Changes in the estimate approach	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-26,939	-	-	-26,939	-
Other changes	-	1,747	-	70,759	72,506	-
Closing total adjustments	**-**	**603,686**	**-**	**70,759**	**674,445**	**-**
Recoveries from collection on financial assets written-off	-	2,316	-	-	2,316	-
Write-offs recognized directly through profit and loss	-	-5,930	-	-	-5,930	-

Reasons/Risk stages	Total adjustments				
	Acquired or originated impaired financial assets				
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment
Opening total adjustments	**-**	**-**	**-**	**-**	**-**
Increases from purchased or originated financial assets	X	X	X	X	X
Derecognized items other than write-offs	-	-	-	-	-
Net losses/recoveries for credit risk (+/-)	-	-	-	-	-
Contract modifications without derecognition	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-
Other changes	-	-	-	-	-
Closing total adjustments	**-**	**-**	**-**	**-**	**-**
Recoveries from collection on financial assets written-off	-	-	-	-	-
Write-offs recognized directly through profit and loss	-	-	-	-	-

Reasons/Risk stages	Total provisions for commitments to disburse funds and financial guarantees given				Total 31 Dec. 2021
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given POCI assets	
Opening total adjustments	**2,416**	**910**	**3,259**	**-**	**529,469**
Increases from purchased or originated financial assets	844	-	-	-	13,436
Derecognized items other than write-offs	-603	-568	-1,574	-	-231,794
Net losses/recoveries for credit risk (+/-)	-525	-89	1,933	-	371,304
Contract modifications without derecognition	-	-	-	-	39,159
Changes in the estimate approach	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-	-	-	-	-26,939
Other changes	-	-	-	-	74,793
Closing total adjustments	**2,132**	**253**	**3,618**	**-**	**769,428**
Recoveries from collection on financial assets written-off	-	-	-	-	2,316
Write-offs recognized directly through profit and loss	-	-	-	-	-5,930

With reference to financial being divested, item “Other changes” refers to the effects of reclassifications made in accordance with IFRS 5.

Item “Net adjustments/recoveries for credit risk” reports the net amount of changes in expected credit risk losses recognized in the period, regardless of whether these changes result in the financial asset being transferred to another risk stage.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the difference credit risks stages (gross and nominal values)

Portfolios/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1 Financial assets measured at amortized cost	520,883	195,576	317,930	4,856	310,651	650
2. Financial assets measured at fair value through other comprehensive income	-	3,101	-	-	-	-
3. Financial assets being divested	24,552	4,380	5,875	273	26,122	-
4. Commitments to disburse funds and financial guarantees given	58,984	15,035	2,345	6	10,896	9
Total 31 Dec. 2021	**604,419**	**218,092**	**326,150**	**5,135**	**347,669**	**659**
Total 31 Dec. 2020	**308,729**	**372,920**	**85,578**	**35,931**	**36,213**	**11,670**

A.1.5a Loans subject to Covid-19-related relief measures: transfers between the different credit risk stages (gross and nominal values

Portfolios/risk stages	Gross amounts					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortized cost	**288,363**	**47,788**	**98,927**	**51**	**157,708**	**70**
A.1 Loans with GL-compliant concessions	232,095	46,439	53,275	16	88,186	42
A.2 Under moratoria in force no longer EBA-compliant and not assessed as forborne	4,746	579	2,828	-	26,619	-
A.3 under other concession measures	42,302	-	42,749	35	30,262	-
A.4 new loans	9,220	770	75	-	12,641	28
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Loans with GL-compliant concessions	-	-	-	-	-	-
B.2 under moratoria in force no longer EBA-compliant and not assessed as forborne	-	-	-	-	-	-
B.3 under other concession measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31 Dec. 2021	**288,363**	**47,788**	**98,927**	**51**	**157,708**	**70**
Total 31 Dec. 2020	**83,992**	**109,363**	**3,427**	**-**	**2,338**	**-**

A.1.6 On-balance-sheet and off-balance-sheet exposures to banks: gross and net values

Type of exposures/Values	Gross exposure				
		Stage 1	Stage 2	Stage 3	POCI assets
A. ON-BALANCE-SHEET EXPOSURES					
A.1 Demand					
a) Non-performing	-	X	-	-	-
b) Performing	55,572	55,318	254	X	-
A.2 Other					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to Pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	-	-	-	X	-
- of which: forborne exposures	-	-	-	X	-
e) Other performing exposures	4,950,770	4,950,770	-	X	-
- of which: forborne exposures	-	-	-	X	-
TOTAL (A)	**5,006,342**	**5,006,088**	**254**	**-**	**-**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	-	X	-	-	-
b) Performing	85,261	81,809	3,452	X	-
TOTAL (B)	**85,261**	**81,809**	**3,452**	**-**	**-**
TOTAL (A+B)	**5,091,603**	**5,087,897**	**3,706**	**-**	**-**

Type of exposures/Values	Total adjustments and total provisions for credit risk					Net exposure	Total/par tial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI assets		
A. ON-BALANCE-SHEET EXPOSURES							
A.1On demand							
a) Non-performing	-	X	-	-	-	-	-
b) Performing	-39	-35	-4	X	-	55,533	-
A.2 Other							
a) Bad loans	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	-
b) Unlikely to Pay	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-
e) Other performing exposures	-307	-307	-	X	-	4,950,463	-
- of which: forborne exposures	-	-	-	X	-	-	-
TOTAL (A)	**-346**	**-342**	**-4**	**-**	**-**	**5,005,996**	**-**
B. OFF-BALANCE-SHEET EXPOSURES							
a) Non-performing	-	X	-	-	-	-	-
b) Performing	-5	-5	-	X	-	85,256	-
TOTAL (B)	**-5**	**-5**	**-**	**-**	**-**	**85,256**	**-**
TOTAL (A+B)	**-351**	**-347**	**-4**	**-**	**-**	**5,091,252**	**-**

(*) Value to be stated for disclosure purposes

A.1.7 Loans to Customers: gross and net values

Type of exposures/Values	Gross exposure				
		Stage 1	Stage 2	Stage 3	POCI assets
A. On-balance-sheet exposures					
a) Bad loans	185,913	X	-	185,913	-
- of which: forborne exposures	62,759	X	-	62,759	-
b) Unlikely to Pay	1,066,936	X	-	1,066,936	-
- of which: forborne exposures	417,459	X	-	417,459	-
c) Non-performing past due exposures	13,283	X	-	13,283	-
- of which: forborne exposures	861	X	-	861	-
d) Performing past due exposures	62,035	24,339	37,696	X	-
- of which: forborne exposures	5,979	-	5,979	X	-
e) Other performing exposures	17,753,128	16,893,085	860,043	X	-
- of which: forborne exposures	187,391	-	187,391	X	-
Total (A)	**19,081,295**	**16,917,424**	**897,739**	**1,266,132**	**-**
B. Off-balance-sheet exposures					
a) Non-performing	52,168	X	-	52,168	-
b) Performing	5,496,312	5,421,536	74,776	X	-
Total (B)	**5,548,480**	**5,421,536**	**74,776**	**52,168**	**-**
TOTAL (A+B)	**24,629,775**	**22,338,960**	**972,515**	**1,318,300**	**-**

Type of exposures/Values	Total adjustments and total provisions for credit risk					Net exposure	Total/par tial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI assets		
A. On-balance-sheet exposures							
a) Bad loans	-153,741	X	-	-153,741	-	32,172	6,802
- of which: forborne exposures	-49,649	X	-	-49,649	-	13,110	-
b) Unlikely to Pay	-518,769	X	-	-518,769	-	548,167	-
- of which: forborne exposures	-233,356	X	-	-233,356	-	184,103	-
c) Non-performing past due exposures	-1,935	X	-	-1,935	-	11,348	-
- of which: forborne exposures	-125	X	-	-125	-	736	-
d) Performing past due exposures	-1,967	-259	-1,708	X	-	60,068	-
- of which: forborne exposures	-379	-	-379	X	-	5,600	-
e) Other performing exposures	-86,666	-49,065	-37,601	X	-	17,666,462	-
- of which: forborne exposures	-12,912	-	-12,912	X	-	174,479	-
Total (A)	**-763,078**	**-49,324**	**-39,309**	**-674,445**	**-**	**18,318,217**	**6,802**
B. Off-balance-sheet exposures							
a) Non-performing	-22,262	X	-	-22,262	-	29,906	-
b) Performing	-2,806	-2,553	-253	X	-	5,493,506	-
Total (B)	**-25,068**	**-2,553**	**-253**	**-22,262**	**-**	**5,523,412**	**-**
TOTAL (A+B)	**-788,148**	**-51,877**	**-39,562**	**-696,707**	**-**	**23,841,625**	**6,802**

(*) Value to be stated for disclosure purposes

A.1.7a Loans to Customers under Covid-19 support measures: gross and net values

Type of exposures/Values	Gross exposure				
		Stage 1	Stage 2	Stage 3	POCI assets
A. Bad loans:	**-**	**-**	**-**	**-**	**-**
a) Under EBA-compliant concessions	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-
b) Under other concession measures	-	-	-	-	-
d) New loans	-	-	-	-	-
B. Loans classified as Unlikely to Pay:	**293,588**	**-**	**-**	**293,588**	**-**
a) Under EBA-compliant concessions	146,798	-	-	146,798	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	30,634	-	-	30,634	-
b) Under other concession measures	92,830	-	-	92,830	-
d) New loans	23,326	-	-	23,326	-
C. Non-performing pastdue loans:	**2,969**	**-**	**-**	**2,969**	**-**
a) Under EBA-compliant concessions	2,046	-	-	2,046	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	32	-	-	32	-
b) Under other concession measures	326	-	-	326	-
d) New loans	565	-	-	565	-
D. Other performing pastdue loans	**14,184**	**4,303**	**9,881**	**-**	**-**
a) Under EBA-compliant concessions	7,724	3,161	4,563	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-
b) Under other concession measures	3,107	-	3,107	-	-
d) New loans	3,353	1,142	2,211	-	-
E. Other performing loans:	**3,487,958**	**3,097,431**	**390,527**	**-**	**-**
a) Under EBA-compliant concessions	1,762,266	1,443,085	319,181	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	21,611	16,258	5,353	-	-
b) Under other concession measures	58,674	-	58,674	-	-
d) New loans	1,645,407	1,638,088	7,319	-	-
Total (A+B+C+D+E)	**3,798,699**	**3,101,734**	**400,408**	**296,557**	**-**

Type of exposures/Values	Total adjustments and total provisions for credit risk					Net exposure	Total/par tial write-offs (*)
		Stage 1	Stage 2	Stage 3	POCI a ssets		
A. Bad loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Under EBA-compliant concessions	-	-	-	-	-	-	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-	-	-
b) Under other concession measures	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-
B. Loans classified as Unlikely to Pay:	**-92,365**	**-**	**-**	**-92,365**	**-**	**201,223**	**-**
a) Under EBA-compliant concessions	-52,087	-	-	-52,087	-	94,711	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-8,381	-	-	-8,381	-	22,253	-
b) Under other concession measures	-25,628	-	-	-25,628	-	67,202	-
d) New loans	-6,269	-	-	-6,269	-	17,057	-
C. Non-performing pastdue loans:	**-433**	**-**	**-**	**-433**	**-**	**2,536**	**-**
a) Under EBA-compliant concessions	-315	-	-	-315	-	1,731	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-3	-	-	-3	-	29	-
b) Under other concession measures	-46	-	-	-46	-	280	-
d) New loans	-69	-	-	-69	-	496	-
D. Other performing pastdue loans	**-518**	**-48**	**-470**	**-**	**-**	**13,666**	**-**
a) Under EBA-compliant concessions	-255	-29	-226	-	-	7,469	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-	-	-	-	-	-	-
b) Under other concession measures	-202	-	-202	-	-	2,905	-
d) New loans	-61	-19	-42	-	-	3,292	-
E. Other performing loans:	**-33,888**	**-13,028**	**-20,860**	**-**	**-**	**3,454,070**	**-**
a) Under EBA-compliant concessions	-24,096	-6,931	-17,165	-	-	1,738,170	-
b) Under moratoria no longer EBA-compliant and not assessed as forborne	-142	-59	-83	-	-	21,469	-
b) Under other concession measures	-3,384	-	-3,384	-	-	55,290	-
d) New loans	-6,266	-6,038	-228	-	-	1,639,141	-
Total (A+B+C+D+E)	**-127,204**	**-13,076**	**-21,330**	**-92,798**	**-**	**3,671,495**	**-**

(*) Value to be stated for disclosure purposes

A 1.9 On-balance sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely to Pay	Non- performing past due exposures
A. Opening gross exposure	**298,201**	**623,936**	**22,929**
- of which: sold exposures not derecognized	6,198	20,752	1,551
B. Increases	**193,195**	**704,832**	**18,366**
B.1 from performing exposures	20,411	657,805	17,438
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	167,514	13,424	15
B.4 Contract modifications without derecognition	-	-	-
B.5 other increases	5,270	33,603	913
C. Decreases	**-305,483**	**-261,832**	**-28,012**
C.1 to performing exposures	-	-5,710	-5,686
C.2 write-offs	-25,105	-7,408	-358
C.3 collections	-22,409	-72,776	-2,528
C.4 profits on disposals	-81,454	-3,021	-
C.5 losses on disposals	-41,428	-26	-
C.6 transfers to other categories of non-performing exposures	-	-161,598	-19,355
C.7 Contract modifications without derecognition	-	-597	-
C.8 other decreases	-135,087	-10,696	-85
D. Closing gross exposure	**185,913**	**1,066,936**	**13,283**
- of which: sold exposures not derecognized	-	49,691	836

A.1.9bis On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non- performing forborne exposures	Forborne exposures: performing
A. Opening gross exposure	**391,793**	**183,673**
- of which: sold exposures not derecognized	2,301	7,688
B. Increases	**214,131**	**152,483**
B.1 from non-forborne performing exposures	85,484	145,927
B.2 from forborne performing exposures	94,531	X
B.3 from forborne non-performing exposures	X	4,341
B.4 from non-forborne non-performing exposures	24,396	96
B.5 other increases	9,720	2,119
C. Decreases	**-124,844**	**-142,786**
C.1 to non-forborne performing exposures	X	-26,305
C.2 to forborne performing exposures	-4,341	X
C.3 to forborne non-performing exposures	X	-94,531
C.4 Write-offs	-7,519	-
C.5 collections	-45,770	-9,809
C.6 profits on disposals	-22,258	-
C.7 losses on disposals	-6,180	-
C.8 other decreases	-38,776	-12,141
D. Closing gross exposure	**481,080**	**193,370**
- of which: sold exposures not derecognized	13,081	18,927

A.1.11 On-balance-sheet non-performing exposures to Customers: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	**186,764**	**38,899**	**267,525**	**151,035**	**2,285**	**103**
- of which: sold exposures not derecognized	2,437	148	4,330	441	187	41
B. Increases	**189,535**	**56,847**	**349,680**	**128,521**	**2,688**	**214**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	75,868	26,251	316,915	118,189	2,627	161
B.3 losses on disposals	41,428	6,180	26	-	-	-
B.4 transfers from other categories of non-performing exposures	67,241	24,108	1,367	83	3	-
B.5 Contract modifications without derecognition	897	-	31,372	-	57	-
B.6 other increases	4,101	308	-	10,249	1	53
C. Decreases	**-222,557**	**-46,098**	**-98,437**	**-46,200**	**-3,038**	**-192**
C.1 recoveries from valuation	-4,900	-1,655	-12,444	-7,441	-662	-37
C.2 recoveries from collection	-5,247	-781	-6,364	-4,098	-38	-
C.3 profits on disposal	-10,936	-3,163	-432	-431	-	-
C.4 write-offs	-25,104	-1,481	-7,408	-6,038	-357	-
C.5 transfers to other categories of non-performing exposures	-	-	-66,659	-24,036	-1,953	-155
C.6 Contract modifications without derecognition	-11	-	-814	-	-28	-
C.7 other decreases	-176,359	-39,018	-4,316	-4,156	-	-
D. Total closing adjustments	**153,742**	**49,648**	**518,768**	**233,356**	**1,935**	**125**
- of which: sold exposures not derecognized	-	-	13,002	3,334	110	2

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating grades (gross values)

The information on exposures for external ratings is not provided in that the Bank mainly uses internal ratings in credit risk management and in the calculation of the risk asset.

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating grades (gross values)

The table below gives the breakdown of on-balance-sheet and off-balance-sheet gross exposures to customers by internal rating grade. The "Without rating" column reports also exposures to customers without internal rating and in default. A considerable portion of on-balance-sheet exposures without internal rating consists of the exposures to the Italian State.

Exposures	Internal rating grades				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
A. Financial assets measured at amortized cost	**1,181,284**	**1,976,435**	**2,095,597**	**2,517,599**	**2,090,478**
- Stage 1	1,179,435	1,967,046	2,080,929	2,464,161	2,013,927
- Stage 2	1,849	9,389	14,668	53,438	76,551
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**1,013**	**2,893**
- Stage 1	-	-	-	1,013	2,893
- Stage 2	-	-	-	-	-
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
C. Financial assets being divested	**633**	**17,443**	**30,894**	**55,639**	**42,638**
- Stage 1	633	17,443	30,894	55,639	42,638
- Stage 2	-	-	-	-	-
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
Total (A+B+C)	**1,181,917**	**1,993,878**	**2,126,490**	**2,574,251**	**2,136,009**
D. Commitments to disburse funds and financial guarantees given	**521,371**	**1,083,095**	**1,133,198**	**836,868**	**760,782**
- Stage 1	521,258	1,082,679	1,133,185	836,868	758,868
- Stage 2	113	416	13	-	1,914
- Stage 3	-	-	-	-	-
- POCI assets	-	-	-	-	-
Total (D)	**521,371**	**1,083,095**	**1,133,198**	**836,868**	**760,782**
Total (A+B+C+D)	**1,703,288**	**3,076,973**	**3,259,689**	**3,411,119**	**2,896,791**

Exposures	Internal rating grades					
	Grade 6	Grade 7	Grade 8	Grade 9	Without rating	Total
A. Financial assets measured at amortized cost	**1,498,522**	**724,078**	**365,504**	**210,589**	**5,641,740**	**18,301,824**
- Stage 1	1,348,232	575,188	161,980	48,195	4,432,505	16,271,597
- Stage 2	150,290	148,890	203,524	162,394	43,232	864,224
- Stage 3	-	-	-	-	1,166,003	1,166,003
- POCI assets	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**2,995**	**2,930**	**-**	**-**	**452,757**	**462,588**
- Stage 1	2,995	2,930	-	-	452,231	462,062
- Stage 2	-	-	-	-	526	526
- Stage 3	-	-	-	-	-	-
- POCI assets	-	-	-	-	-	-
C. Financial assets being divested	**25,578**	**13,768**	**4,026**	**2,121**	**122,437**	**315,177**
- Stage 1	19,729	11,995	1,551	950	-	181,472
- Stage 2	5,849	1,773	2,475	1,171	22,307	33,575
- Stage 3	-	-	-	-	100,130	100,130
- POCI assets	-	-	-	-	-	-
Total (A+B+C)	**1,527,095**	**740,776**	**369,529**	**212,710**	**6,216,934**	**19,079,589**
D. Commitments to disburse funds and financial guarantees given	**170,071**	**75,463**	**29,590**	**5,573**	**529,256**	**5,145,267**
- Stage 1	159,553	61,046	17,163	1,750	475,814	5,048,184
- Stage 2	10,518	14,417	12,427	3,823	31,135	74,776
- Stage 3	-	-	-	-	22,307	22,307
- POCI assets	-	-	-	-	-	-
Total (D)	**170,071**	**75,463**	**29,590**	**5,573**	**529,256**	**5,145,267**
Total (A+B+C+D)	**1,697,166**	**816,239**	**399,120**	**218,283**	**6,746,190**	**24,224,856**

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.2 On-balance-sheet and off-balance-sheet secured exposures to Customers

	Gross exposure	Net exposure	Collaterals (1)			
			Real estate - mortgages	Real estate- Loans for leases	Securities	Other collateral:
1. On-balance-sheet secured exposures:						
1.1 fully secured	9,551,770	9,005,741	6,871,109	211,612	59,295	68,942
- of which non-performing	1,024,199	538,400	480,585	28,587	484	1,082
1.2 partially secured	1,801,595	1,763,590	1,648	-	6,030	7,061
- of which non-performing	48,226	19,126	1,588	-	547	327
2, Off-balance-sheet secured exposures:						
2.1 fully secured	815,957	812,741	34,604	-	56,020	24,206
- of which non-performing	14,707	11,695	3,253	-	73	266
2.2 partially secured	156,883	156,754	-	-	4,282	9,589
- of which non-performing	1,413	1,304	-	-	9	315

	Personal guarantees (2)									Total (1)+(2)
	Credit derivatives					Signature loans				
	CLN	Other derivatives				Other administrations	Banks	Other financial companies	Other parties	
		Central counterparties	Banks	Other financial companies	Other parties					
1. On-balance-sheet secured exposures:										
1.1 fully secured	-	-	-	-	-	870,618	343	129,601	714,261	8,925,781
- *of which non-performing*	-	-	-	-	-	12,076	-	386	15,111	538,311
1.2 partially secured	-	-	-	-	-	1,046,176	140,484	2,695	114,105	1,318,199
- *of which non-performing*	-	-	-	-	-	11,489	484	66	1,736	16,237
2. Off-balance-sheet secured exposures of which non-performing:	-	-	-	-	-					
2.1 fully secured	-	-	-	-	-	19,301	30	6,205	672,475	812,841
- *of which non-performing*	-	-	-	-	-	477	-	132	7,820	12,021
2.2 partially secured	-	-	-	-	-	24,030	-	421	50,934	89,256
- *of which non-performing*	-	-	-	-	-	328	-	-	50	702

Exposures are classified as “fully secured” and “partially secured” by comparing the closing gross amount with the amount of the guarantee established by contract, considering also supplements to the guarantees. In accordance with Bank of Italy Circular 262, columns “collaterals” and “personal guarantees” show the fair value of the guarantee at the end of the reporting period and this value cannot exceed the value of the secured net exposure.

A.4 FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH THE ENFORCEMENT OF THE RECEIVED GUARANTEES AND COLLATERALS

Exposures	Exposure written off	Gross value	Total adjustments	Book value	
					of which obtained in the period
A. Property, plant and equipment:	**30,613**	**33,048**	**-11,692**	**21,356**	**253**
A.1. Operating assets	-	-	-	-	-
A.2. Investment property	30,613	33,048	-11,692	21,356	253
A.3. Inventories	-	-	-	-	-
B. Equity securities and debt securities	**-**	**-**	**-**	**-**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and discontinued operations	**-**	**-**	**-**	**-**	**-**
D.1. Property, Plant and Equipment	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31 Dec. 2021	**30,613**	**33,048**	**-11,692**	**21,356**	**253**
Total 31 Dec. 2020	**30,363**	**33,281**	**-5,850**	**27,431**	**-**

B. Breakdown and concentration of exposures

B.1 BREAKDOWN BY SECTOR OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non- financial companies		Households	
	Net exposure	Total adjustmen	Net exposure	Total adjustmen	Net exposure	Total adjustmen	Net exposure	Total adjustmen	Net exposure	Total adjustmen
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	4,534	-15,872	-	-	15,117	-100,776	12,521	-37,093
- of which: forborne exposures	-	-	4,327	-12,893	-	-	7,335	-33,507	1,448	-3,249
A.2 Unlikely to Pay	19	-13	7,795	-6,434	-	-	432,516	-446,548	107,838	-65,774
- of which: forborne exposures	-	-	557	-339	-	-	150,621	-213,223	32,926	-19,794
A.3 Non-performing past-due exposures	-	-	32	-12	-	-	1,764	-357	9,552	-1,566
- of which: forborne exposures	-	-	-	-	-	-	188	-53	548	-72
A.4 Performing exposures	3,981,531	-5,634	1,418,329	-4,081	11,550	-25	6,631,126	-53,062	5,695,544	-25,857
- of which: forborne exposures	21,462	-845	3,721	-380	-	-	82,778	-8,826	72,118	-3,239
Total (A)	**3,981,550**	**-5,647**	**1,430,690**	**-26,399**	**11,550**	**-25**	**7,080,523**	**-600,743**	**5,825,455**	**-130,290**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	197	-2	-	-	28,037	-21,718	1,672	-542
B.2 Performing exposures	500,511	-88	669,089	-169	69	-	3,634,508	-1,978	689,396	-572
Total (B)	**500,511**	**-88**	**669,286**	**-171**	**69**	**-**	**3,662,545**	**-23,696**	**691,068**	**-1,114**
Total (A+B) 31 Dec. 2021	**4,482,061**	**-5,735**	**2,099,976**	**-26,570**	**11,619**	**-25**	**10,743,068**	**-624,439**	**6,516,523**	**-131,404**
Total (A+B) 31 Dec. 2020	**4,909,957**	**-1,134**	**3,021,492**	**-22,435**	**11,519**	**-23**	**11,455,002**	**-396,739**	**6,454,095**	**-115,294**

B.2 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF- BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	10,876	-57,001	1,571	-4,653	8,363	-30,221	11,362	-61,866
A.2 Unlikely to Pay	329,663	-318,379	27,462	-24,808	90,857	-74,386	99,891	-100,809
A.3 Non-performing past-due exposures	3,688	-615	369	-58	2,083	-296	5,208	-967
A.4 Performing exposures	7,192,557	-41,001	1,644,957	-8,696	6,270,017	-20,930	2,243,404	-17,655
Total (A)	**7,536,784**	**-416,996**	**1,674,359**	**-38,215**	**6,371,320**	**-125,833**	**2,359,865**	**-181,297**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	19,268	-5,957	316	-103	6,453	-9,975	3,803	-6,219
B.2 Performing exposures	3,461,042	-1,304	505,664	-285	843,126	-753	643,743	-439
Total (B)	**3,480,310**	**-7,261**	**505,980**	**-388**	**849,579**	**-10,728**	**647,546**	**-6,658**
Total (A+B) 31 Dec. 2021	**11,017,094**	**-424,257**	**2,180,339**	**-38,603**	**7,220,899**	**-136,561**	**3,007,411**	**-187,955**
Total (A+B) 31 Dec. 2020	**11,349,283**	**-279,450**	**2,421,264**	**-27,320**	**8,346,109**	**-96,581**	**3,138,054**	**-131,155**

B.3 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF- BALANCE-SHEET EXPOSURES TO BANKS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	133,458	-123	66,306	-74	4,599,308	-25	-	-
Total (A)	**133,458**	**-123**	**66,306**	**-74**	**4,599,308**	**-25**	**-**	**-**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	7,495	-5	30,521	-	46,467	-	-	-
Total (B)	**7,495**	**-5**	**30,521**	**-**	**46,467**	**-**	**-**	**-**
Total (A+B) 31 Dec. 2021	**140,953**	**-128**	**96,827**	**-74**	**4,645,775**	**-25**	**-**	**-**
Total (A+B) 31 Dec. 2020	**123,149**	**-111**	**37,580**	**-44**	**1,248,068**	**-58**	**-**	**-**

B.4 LARGE EXPOSURES RISKS

	31 Dec. 2021
a) Amount - carrying amount	15,047,172
b) Amounts- weighted amount	1,190,214
c) Number	20

The amount of “risk positions” that constitute “large risk” is given making reference to both the carrying amount and the weighted amount. Specifically, in accordance with Regulation (EU) 575/2013 and with the Bank of Italy Circulars 154 and 286 implementing it, the carrying amount is the book value of the exposure, while the weighted amount is the value of the exposure after the application of the Credit Risk Mitigation and of the exemption under Article 400 of the CRR.

The figures reported in accordance with Basel 3 standards show exposures exceeding the threshold of 10% of the eligible capital to the Italian State amounting to Euro 4,961,079 thousand , no exposure to Cassa di Compensazione e Garanzia and, for the remaining portion, to banking and financial counterparties.

C. Securitizations

QUALITATIVE DISCLOSURES

Objectives, strategies and processes underlying securitisations

Securitisations are carried out in order to increase the degree of liquidity of the assets and the availability of financial instruments eligible for refinancing with the European Central Bank or usable as collateral for funding transactions with institutional and market counterparties and with the objective of transferring credit risk, in line with the company's de-risking objectives.

Credito Valtellinese carries out both traditional securitisation transactions, which envisage the actual transfer of the loans portfolio to the special purpose company, and synthetic securitisation transactions that envisage, through the signing of financial or cash guarantee contracts, the purchase of protection for all or part of the credit risk underlying the loan portfolio that, unlike traditional securitisations, in this case is not transferred to a special purpose company but legally remains at the disposal of the Group.

At the reporting date, the following securitisation transactions detailed below were in place.

In 2018, the Bank completed the Quadrivio SME 2018 securitisation with the issue of seven classes of securities for a total of approximately EUR 1,470 million. Senior class A3 in the amount of EUR 200 million was fully subscribed by the European Investment Bank (EIB), while the other classes were fully subscribed by the originator bank Credito Valtellinese In January 2019, the European Investment Bank (EIB) purchased approximately EUR 85 million of the C1 lower mezzanine class

The above-described securitization does not meet the requirements for derecognizing the transferred exposures, which, therefore, have been fully represented in assets.

In 2017, Credito Valtellinese completed the securitisation of a bad loans portfolio for a gross amount of approximately EUR 1,405 million at 30 November 2016 by transferring this portfolio to a securitisation vehicle - Elrond NPL 2017 - established pursuant to Italian Law 130/1999, and the latter issued three different classes of ABS securities.

The securities of the senior tranche - with investment grade rating (Baa3 assigned by Moody's and BBB- by Scope Ratings), for which the Ministry of Economy and Finance granted the State guarantee (GACS) - are fully retained by Credito Valtellinese, whereas the mezzanine and junior tranches were placed with an institutional investor at the end of a competitive process (net of the significant interest of 5% that must be maintained by the originator).

In 2018, in line with the company's de-risking objectives, Credito Valtellinese completed a further securitisation of a portfolio of bad loans for a Gross Book Value on the cut-off date (31 December 2017) of approximately EUR 1,671 million, by transferring this portfolio to a securitisation vehicle - Aragorn NPL 2018 - established pursuant to Italian Law 130/1999, and the latter issued three different classes of ABS securities.

The securities of the senior tranche - with investment grade rating (BBBL assigned by DBRS and BBB- by Scope Ratings), for which the Ministry of Economy and Finance granted the State guarantee (GACS) - are fully retained by Credito Valtellinese, whereas the mezzanine and junior tranches were placed with institutional investors (net of the significant interest of 5% that must be maintained by the originator).

For the Elrond and Aragorn transactions, the conditions for the derecognition of transferred loans and receivables (transfer of risks) have been met.

The table summarizes the main elements of the above-described transactions.

Quadrivio SME 2018

Key transaction information	
Transaction finalized on	30 July 2018
Special-purpose entity	Quadrivio SME 2018 S.r.l.
Subject-matter of the transaction	Mortgage and unsecured loans to enterprises, craft enterprises and producer households
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,459,803**
Debt securities issued	**587,605**
of which senior A3	35,605
of which upper mezzanine B	102,200
of which upper mezzanine C1	100,000
of which upper mezzanine C2	89,800
Of which junior	260,000
Senior notes rating at issue	Aa2 Moody's and AAA DBRS
Cash reserve	6,060
Senior notes rating as at 31 Dec. 2021	Aa3 Moody's and AAA DBRS

(*) The rating refers to tranche A3. The notes in tranches A1 and A2 were fully repaid.

In the Quadrivio SME 2018 transaction, the originator Bank holds the entire junior tranche and, therefore, Creval has not actually transferred any credit risk. Consequently, as the risks/rewards associated with the portfolio disposed of are substantially retained, the loans have not been derecognized from the Bank's assets. Along with the assets disposed of and not derecognized, outstanding notes have been recognized as to the portion placed with third parties. In this case, the securitization special-purpose entity was consolidated on a line-item basis, albeit with no equity investments held in the entity. Based on that approach, all costs and revenues relating to the asset-backed securities, the recurring costs for the administrative management of the special-purpose entity, the costs for the supporting financial transactions and interest expenses on the notes placed in the market have been recognized in the income statement.

For the Quadrivio SME 2018 securitization transaction, the originator Bank signed a servicing contract with the special-purpose entity for coordination, management, administration and collection of the asset-backed securities, as well as for recovery activities in case of default by the borrowers. That contract provides for the payment of an annual servicing fee and for refund of expenses for each recovered loan.

Elrond NPL 2017

Key transaction information	
Transaction finalized on	30 July 2017
Special-purpose entity	Elrond NPL 2017 S.r.l.
Subject-matter of the transaction	Non-performing loans consisting of Mortgage and unsecured credit exposures to individuals and businesses (corporate and retail bnkg)
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,405,252**
Debt securities issued	**325,353**
of which senior	262,853
Of which mezzanine	42,500
Of which junior	20,000
Senior notes rating at issue	Baa3 Moody's BBB- Scope Ratings
Limited recourse loan (Cash reserve)	11,148
Senior notes rating as at 31 Dec. 2021	B2 Moody's B+ Scope Ratings

Special servicing is performed by Cerved Credit Management S.p.A., whereas master servicing is performed by Cerved Master Servicer S.p.A.

Aragorn NPL 2018

Key transaction information	
Transaction finalized on	12 June 2018
Special-purpose entity	Aragorn NPL 2018 S.r.l.
Subject-matter of the transaction	Non-performing loans consisting of Mortgage and unsecured credit exposures to individuals and businesses (corporate and retail bnkg)
Geographical area of the sold loans	Italy
Total original amount of the loans sold	**1,670,633**
Debt securities issued	**473,683**
of which senior	396,861
Of which mezzanine	66,822
Of which junior	10,000
Senior notes rating at issue	BBBL DBRS BBB- Scope Ratings
Limited recourse loan (Cash reserve)	20,732
Senior notes rating as at 31 Dec. 2021	CCCH DBRS B Scope Ratings

Master servicing is performed by Master Gardant S.p.A., whereas special servicing is performed jointly by Special Gardant S.p.A. and Cerved Credit Management S.p.A..

As the Elrond and Aragorn securitization transactions were carried out in order to transfer credit risk, there is a specific risk that the plan to transfer it may not fully succeed. Moreover, the sale of the mezzanine and junior tranches (by substantially transferring all risks and benefits related to securitized loans and the resulting accounting and prudential derecognition of the portfolio) and the granting of the GACS ensure ongoing compliance with the requirements regarding the significant transfer of credit risk

Pillarstone Italy

In 2018, Credito Valtellinese, along with other banks, transferred its loans to Rainbow Magicland S.p.A. to the Pillarstone Italy SPV. With the loans disposed of totalling Euro 8.4 million, in January 2019 Credito Valtellinese subscribed class B1 notes for Euro 1.5 million and class C2 notes for Euro 6.9 million (the latter fully written down).

Key transaction information	
Special-purpose entity	Pillarstone Italy SPV S.r.l.
Subject-matter of the transaction	Non-performing loans toi RAINBOW MAGICLAND S.p.A.
Geographical area of the sold loans	Italy
Amount of the loans disposed of by Credito Valtellinese	**8,395**
Notes subscribed by Credito Valtellinese	**8,395**
Of which class B1	1,469
Of which class C2	6,926
Notes ratingi	N.R.

The role of Servicer was assigned to Banca Finint S.p.A. (within a corporate reorganization action, Securitisation Services S.p.A. was merged into Banca Finanziaria Internazionale S.p.A. - i,e, Banca Finint S.p.A.).

Tranched Cover – Creval 25

In 2020, the "Creval 25" portfolio was finalized for a tranched cover synthetic securitization on newly-originated loans to Retail and Corporate bnkg customers. The transaction provides for a personal guarantee to be given covering credit risk. The guarantee was given by the Central Guarantee Fund for SMEs on the junior tranche of a se3lected portfolio.

The portfolio of underlying exposures consists of loans originated in 2019 and 2020, to approximately 580 enterprises based throughout Italy, amounting to Euro 65.4 million (the junior tranche amounting to Euro 5.6 million, the senior tranche amounting to Euro 59.8 million).

Key transaction information	
Transaction finalized on	3 Oct. 2020
Originator	Creval S.p.A.
Type of transaction	Tranched Cover
Subject-matter of the transaction	Performing unsecured loans with average term to maturity of 60 months
Geographical area of the sold loans	Italy
Amount of the portfolio of underlying assets	**65,452**
Risk holder	
Senior tranche	Creval S.p.A.
Junior tranche	Partially covered by protection seller
Guarantees given by third parties	Guarantee given by the Central Guarantee Fund for SMEs on the junior tranche

Risk measurement and control internal systems and hedging policies

The specific risk deriving from securitisations is defined as the "risk that the economic substance of the securitisation transaction may not be fully reflected in the decisions of risk assessment and management".

The carrying out of securitisations also involves an exposure to other types of risks, different by type and entity in relation to the structure of the transactions. The following risks - considered as material within the Risk Appetite Framework as well - are identified:

- Operational risk (with materiality of the legal component as well);
- Counterparty risks;
- Credit risk;
- Reputational risk;
- Liquidity risk;
- Interest Rate Risk on the Banking book;
- Non-compliance risk;

In monitoring and governing the securitisations risk, the following corporate areas are mainly involved:

- Financial Stakes & Non-Core Assets Area;
- Chief Lending Officer (CLO) Area;
- Chief Risk Officer (CRO) Area;
- Accounting, Planning & Control Area;
- which ensure the structuring, monitoring and control of the risk.

The Financial Stakes & Non Core Assets Area supports the Corporate Bodies in defining, in accordance with the Risk Appetite Framework, the strategies for the gradual disposal of non-core assets. With special reference to the risk in question, it manages the structuring of Securitisation transactions, coordinating with the internal structures of the CLO Area and the Accounting, Planning and Control Area and with external counterparties. By means of the competent structures, it monitors on a regular basis the performance of flows and payments related to securitized loans and relevant securities; collaborates to produce reports for different structures of the Bank competent in this field; produces the periodic reports contractually agreed upon and the information requested by and intended for administrative and financial counterparties, rating agencies, investors.

With a special reference to any investments in transactions with underlying non-performing assets, the Group defined a specific process that defines roles, responsibilities and activities in the proposal, evaluation, approval, monitoring and reporting phases. Also note the collaboration of the Group with consultants and partners of high standing.

In general, the internal audit system of the Group makes sure that the risks deriving from such transactions - including the reputational risks originating, for example, from the use of structures or complex products - are managed and evaluated by means of policies and procedures to ensure that the economic substance of these transactions is fully in line with their risk assessment and with the decisions of the Corporate Bodies Specifically, the CRO Area, in line with the company objectives and strategies, monitors risk exposure and supports the other functions in structuring the transactions and assessing their impact on the Risk Appetite Framework and the A-IRB risk parameters. With regard to assessment of exposure to risk, the different profiles are taken in consideration as part of the ordinary course of business related to the different types of risk. Specifically, the Risks and Controls Department prepares on a monthly basis the Tableau de Bord for the General Management and the Board of Directors of the Bank, which also monitors the exposure to credit risk, interest rate risk of the banking book, liquidity risk and operational risk. The analyses carried out by the Risks and Control Department on the profiles of operational liquidity, structural liquidity and interest rate risk exposure take also into account the impact of the securitisations.

Securitisation activities of third parties

Creval also invests in securitisation transactions originated by third parties. As at the reporting date, the exposure consisted almost entirely of senior notes and referred to Italian asset portfolios..

QUANTITATIVE DISCLOSURES

C.1 EXPOSURES RESULTING FROM "OWN" MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND BY TYPE OF EXPOSURES

Type of securitized assets/ Exposures	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries
A. Fully derecognized						
- Type of assets: Non-performing loans	659,685	-22	133	-	-	-
C. Not derecognized						
- Type of assets: Mortgage and unsecured loans	27,008	-169	189,245	-8,352	236,558	-10,324

Type of securitized assets/ Exposures	Financial guarantees given					
	Senior		Mezzanine		Junior	
	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries
A. Fully derecognized						
- Type of assets: Non-performing loans	-	-	-	-	-	-
C. Not derecognized						
- Type of assets: Mortgage and unsecured loans	-	-	-	-	-	-

Type of securitized assets/ Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries
A. Fully derecognized						
- Type of assets: Non-performing loans	-	-	-	-	-	-
C. Not derecognized						
- Type of assets: Mortgage and unsecured loans	-	-	-	-	-	-

C.2 EXPOSURES RESULTING FROM "THIRD PARTY" MAIN SECURITIZATION TRANSACTIONS BROKEN DOWN BY TYPE OF ASSET-BACKED SECURITIES AND BY TYPE OF EXPOSURES

Type of underlying assets/Exposures	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries
A.1 Asset type: Non-performing loans	7,842	-	1,227	-	264	-230
A.2 Asset type: Consumer loans	3,212	-	-	-	-	-
A.3 Asset type: Residential loans	3,508	-	-	-	-	-

Type of underlying assets/Exposures	Financial guarantees given					
	Senior		Mezzanine		Junior	
	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries
A.1 Asset type: Non-performing loans	-	-	-	-	-	-
A.2 Asset type: Consumer loans	-	-	-	-	-	-
A.3 Asset type: Residential loans	-	-	-	-	-	-

Type of underlying assets/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries
A.1 Asset type: Non-performing loans	-	-	-	-	-	-
A.2 Asset type: Consumer loans	-	-	-	-	-	-
A,3 Asset type: Residential loans	-	-	-	-	-	-

C.3 SECURITIZATION SPECIAL-PURPOSE ENTITY

Securitization name/SPE name	Registered Office:	Consolidation	Assets			Liabilities		
			Credit	Debt securities	Other	Senior	Mezzanine	Junior
Elrond NPL 2017 S.r.l.	Conegliano Veneto (TV), Italy	No	276,946	-	29,191	262,995	44,522	22,482
Aragorn NPL 2018 S.r.l.	Rome	No	287,067	-	49,536	396,861	75,345	13,469
Pillarstone Italy SPV S.r.l.	Milan, Italy	No	50,457	-	6	25,929	25,648	107,480
Quadrivio SME 2018 S.r.l.(*)	Conegliano Veneto (TV), Italy	Yes	467,047	-	125,960	35,605	292,460	260,766

(*) SPE consolidated for accounting purposes.

E. Asset disposals

A. Financial assets disposed of and not fully derecognized

QUALITATIVE DISCLOSURES

The transfer transactions that did not resulted in the derecognition of the underlying financial assets are securitizations of credit exposures.

The Quadrivio SME 2018 securitization does not meet the requirements for derecognizing the transferred exposures, which, therefore, have been fully represented in assets.

QUANTITATIVE DISCLOSURES

E.1 FINANCIAL ASSETS SOLD AND FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: BOOK VALUES

	Sold financial assets fully recognized				Associated financial liabilities		
	Book value	of which: securitized	of which: subject to sale contracts with repurchase agreements	of which non-performing	Book value	of which: securitized	of which: subject to sale contracts with repurchase agreements
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortized cost	**469,287**	**469,287**	**-**	**37,380**	**44,313**	**44,313**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	469,287	469,287	-	37,380	44,313	44,313	-
Total 31 Dec. 2021	**469,287**	**469,287**	**-**	**37,380**	**44,313**	**44,313**	**-**
Total 31 Dec. 2020	1,276,570	970,947	305,623	21,182	633,051	313,757	319,294

E.3 DISPOSAL TRANSACTIONS WITH LIABILITIES HAVING RECOURSE EXCLUSIVELY ON THE ASSETS DISPOSED OF AND NOT FULLY DERECOGNIZED: FAIR VALUE

	Fully recognized	Partially recognized	Total 31 Dec. 2021	Total 31 Dec. 2020
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortized cost (fair value)	**490,055**	**-**	**490,055**	**1,017,256**
1. Debt securities	-	-	-	-
2. Loans	490,055	-	490,055	1,017,256
Total financial assets	**490,055**	**-**	**490,055**	**1,017,256**
Total associated financial liabilities	**44,151**	**-**	**X**	**X**
Net value 31 Dec. 2021	**445,904**	**-**	**445,904**	**X**
Net value 31 Dec. 2020	**702,337**	**-**	**X**	**702,337**

B. FINANCIAL ASSETS DISPOSED OF AND FULLY DERECOGNIZED WITH RECOGNITION OF CONTINUING INVOLVEMENT

As at the reporting date, there were no financial assets transferred and fully derecognised with recognition of continuing involvement.

C. FINANCIAL ASSETS DISPOSED OF AND FULLY DERECOGNIZED

As at the reporting date, there were no Financial assets disposed of and not fully derecognized

D. COVERED BOND PROGRAMME

As at the reporting date, there were no covered bonds transactions

E. CREDIT RISK MEASUREMENT MODELS

Please, see the description under qualitative disclosures on credit risk.

Section 2 – Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

"Supervisory Trading Book" means the portfolio of financial instruments subject to the capital requirements for marker risks, as laid down in the supervisory reporting rules.

QUALITATIVE DISCLOSURES

A. General aspects

The trading book comprises bonds, shares and trading derivatives. The financial instruments in the book are mainly in Euro.

The exposure remains well within established limits. The main portion of the portfolio risk consists of foreign exchange risk.

B. Management and measurement of interest rate and price risks

Investment policies are based on criteria that aim to limit market risk for the components that the Bank intends to consciously assume:

- Interest rate risk;
- Price risk;
- Foreign exchange risk.

In line with the Banking Group's retail mission that mostly entails the assumption of lending risk with regard to specific customer segments, the financial assets are mainly used to ensure protection of the overall technical equilibrium. Management of the trading book is specifically aimed at optimising income from the financial resources available.

The management of interest rate risk falls within the risk control function, which is vested in the Chief Risk Officer of Credito Valtellinese, whose duties are described in the previous paragraphs.

The risk management process regarding the market risk for the trading book is governed by a specific corporate regulation approved by the Board of Directors and periodically reviewed. This regulation formalises the performance of the risk management activities regarding such types of risks, defines the tasks and responsibilities assigned to the various organisational units in charge, and sets out, among other things, the strategic directions, management policy, measurement methods, exposure limits, information flows and any mitigation interventions that may be necessary. Therefore, investment and trading are carried out in compliance with the mentioned policies and are implemented as part of an extensive system of assigned management powers and according to detailed regulations envisaging defined management limits in terms of instruments, amounts, investment markets, issue and issuer types, sectors and ratings.

Risk measurement, carried out on a daily basis, uses both analytical techniques (establishing the duration of the bond portfolio with regard to interest rate risk exposure) and statistical estimate techniques of the Value at Risk (VaR).

The VaR measures the maximum loss the trading book may incur based on volatility and historic correlation of the individual market risk factors (interest rates, share prices and exchange rates) and credit risk of the issuer. The estimate is carried out by using the parametric approach, based on the volatility and the correlations of risk factors observed in a certain period, over a 10-day period and a 99% confidence interval. The data used are provided by market players. This model is not used to determine the minimum capital requirement for market risk

The Risk Management Department, by means of the Financial and Operational Risk Division, monitors on a daily basis the Bank's exposure to market risk and verifies compliance with the system of limits. Adequate information flows are provided on a regular and timely basis to corporate bodies and functions of management and control; any overrun of the risk exposure limits are promptly reported to the functions identified by internal regulations in accordance with the set procedures.

Considering the composition and negligible size of the trading securities book, there were no impacts of the Covid-19 pandemic.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance- sheet financial assets and liabilities and financial derivatives

Type/Residual maturity (Euro)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**
1.1 Debt securities	-	-	-	-	1	1	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	1	1	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial Derivatives	**-**	**37**	**6**	**2**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	37	6	2	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	37	6	2	-	-	-	-
+ long positions	-	44,560	13,335	4,936	-	-	-	-
+ short positions	-	44,523	13,329	4,934	-	-	-	-

The above table shows both Euro and foreign currency transactions in that the foreign currency component is not relevant.

Forward purchase and sale transactions of securities or currencies are reported in item “3. Financial derivatives”.

The sensitivity of the portfolio to interest rate variations is very limited.

In the event of parallel shifts in the yield curve by +100 basis points and -100 basis points (using the floor provided for by the EBA) the consequent positive change in interest income, over a time horizon of 12 months, would be negligible.

The changes shown are negligible and would be directly reflected in the net interest income and would be offset by opposite changes in the value of the portfolio.

The overall impact on the financial position and profit or loss would be extremely limited.

2. Supervisory Trading Book: breakdown of exposures in equity securities and equity indices by listing market country

Type of transaction/Listing market	Listed		Unlisted
	Listed Italy	Listed Holland	
A. Equity securities	**1**	**1**	**-**
- long positions	1	1	-
- short positions	-	-	-
B. Sales and purchases not yet settled in equity securities	**-**	**-**	**-**
- long positions	-	-	-
- short positions	-	-	-
C. Other derivatives on equity securities	**-**	**-**	**-**
- long positions	-	-	-
- short positions	-	-	-
D. Equity Index Derivatives	**-**	**-**	**-**
- long positions	-	-	-
- short positions	-	-	-

Since the amount of exposure in equity instruments and derivatives on such instruments is modest, any small or big change in prices would not have significant effects on the financial position or on profit or loss.

3. Supervisory Trading Book - internal methods and other sensitivity analysis methods

Creval uses one model to monitor the risks associated with its trading book. Therefore, the tables below illustrate information on VaR, inclusive of all risk factors that determine it.

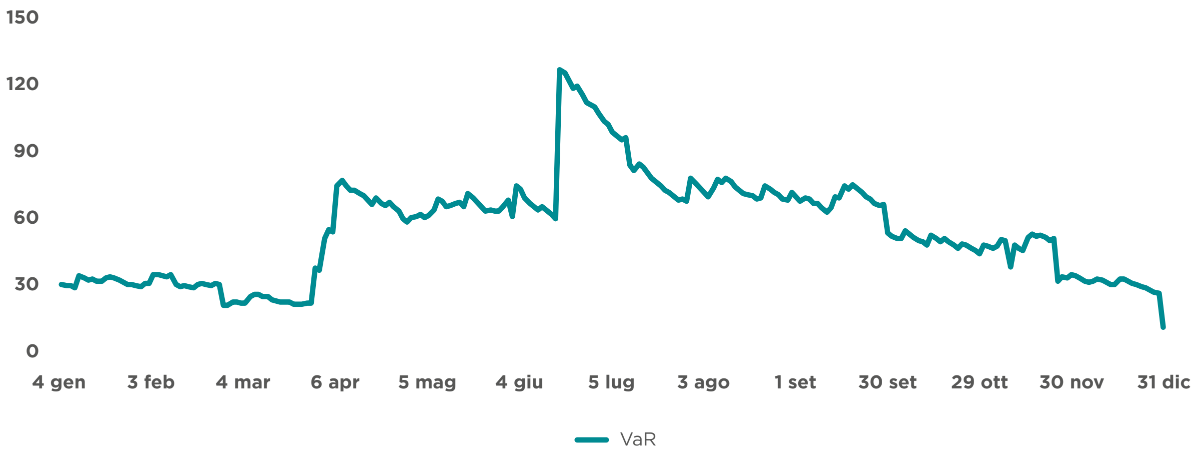
During the financial year, the VaR recorded extremely limited values both in absolute terms and in relation to the allocated VaR.

The main factors to which the securities portfolio is exposed are price risk and currency risk arising from forward purchase and sale transactions as part of the ordinary course of loans to customers measured at amortised cost. Exposure to issuer risk and interest rate risk is extremely limited.

Supervisory Trading Book- VaR performance (in thousands of EUR)

2021				2020		
Average	Minimum	Maximum	31 Dec. 2021	Average	Minimum	Maximum
54	10	126	10	102	30	210

2021 Credito Valtellinese VaR



Supervisory Trading Book - Contribution of risk factors to the VaR calculation

Situation as at 31 Dec. 2021				
Price and specific risk	Interest rate rusk	Foreign exchange risk	Issuer risk	Diversificati on benefit
4.6%	0.6%	94.3%	0.5%	-5.8%

Supervisory Trading Book - Breakdown of exposures in bonds by type of issuer

Situation as at 31 Dec. 2021				
Soverein issuers	Public issuers	Banks	Insurance companies and other financial companies	Corporate
53.1%	0%	46.9%	0%	0%

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

The banking book consists of all financial instruments payable and receivable not included in the trading book. It mainly comprises loans and receivables with banks and customers, Government bonds and other securities including GACS-backed securities of securitisation.

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of interest rate risk and price risk

The interest-rate risk is a typical risk of the banking activity, which mainly consists in funding and in lending.. The existence in the financial statements of the Bank of interest-bearing assets and onerous liabilities forms the source of exposure to the interest rate risk for Credito Valtellinese. Interest rate risk management aims to minimise the impact of unfavourable changes in the rates curve on the economic value of equity and on cash flows generated by balance sheet items

Limiting exposure to interest rate risk is achieved primarily by index-linking asset and liability items to money market benchmarks (usually the Euribor rate) and by balancing the duration of the asset or liability. The objectives with respect to interest rate risk exposure are considered when carrying out strategic and operational planning, both when identifying and developing new products.

The management of interest rate risk falls within the risk control function, which is vested in the Chief Risk Officer of Credito Valtellinese, whose duties are described in the previous paragraphs.

Measurement of interest rate risk on the banking book is firstly based on the economic value approach, defined as the current value of expected net financial flows generated by assets, liabilities and off-balance-sheet items. Given that the present value of the expected cash flows depends on the interest rates, their variation affects the economic value of the Bank. This measurement is based on pre-set changes in the structure of the rates applied to on- and off-balance-sheet items as at the reporting date The reactivity to changes in interest rates is measured either through sensitivity indicators or through revaluation of the assets, liabilities and off-balance-sheet items (internal management model). The changes in the economic value that result are then normalised in proportion to own funds.

In order to better assess the exposure to the interest rate risk, a model is used to treat on demand items with a theoretical maturity and frequency of rate review of one day (contractual profile) but deemed to be more stable on the basis of the statistical analysis of the persistence of volumes and the stickiness of the rates (behavioural profile). The statistical analysis identified a “core” component of the on demand items whose behaviour is replicated and allows both the expected decrease in volume and the stickiness of the interest rates to be considered.

In the measurement of the risk, the current profit approach is used additionally and leads to the estimate of the impact of change in interest rates on net interest income, which represents a significant portion of bank revenue..

Regarding exposure to interest rate risk, reporting limits and actions at consolidated level were approved, defined in terms of equity value change at the end of the reporting period (static ALM) resulting from instantaneous movements of the yield curve.. To this end, both parallel shifts of fixed size (typically 200 basis points) and specific changes for each node of the interest-rate structure are considered, determined on the basis of major decreases and increases actually recorded in an observation period of 6 years (considering the 1st and 99th percentile of the distribution, respectively. Moreover, non-parallel shifts of the yield curve that are able to change its inclination (flattening, steepening and reversal of the interest rate structure) are also taken into consideration.

The Financial and Operational Risk Division, monitors on a monthly basis the Bank’s exposure to interest rate rusk and verifies compliance with the system of limits. Adequate information flows are provided on a regular basis and timely to corporate bodies and structures engaged in management and control functions.

The banking book also includes equity investments that are held as part of structured relations with specific companies. Therefore, the price risk management methods for such financial instruments tend more towards the management approach for investments in associates and companies subject to joint control, rather than the risk measurement techniques and instruments used for the trading book.

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Please, see paragraph internal methods and other sensitivity analysis methods below

2. Banking Book - internal methods and other sensitivity analysis methods

The measurement of the exposure to interest rate risk is performed through an internal model that provides a full-valuation approach to all positions that are interest-bearing assets and liabilities as well as off-balance-sheet items. Specifically, the model comprises the following phases:

- Calculation of net present value of assets, liabilities and off-statement of financial position items and calculation of the previously translated as fair value;
- Definition of scenarios with regard to changes in the interest-rate curve (i.e., parallel translation or steepening, flattening or reversal of the curve with respect to deadlines deemed most relevant);
- Recalculation of the net present value of on and off-statement financial positions with the new interest-rate curve and calculation of the new economic value;
- Calculation of the variation in the economic value as the difference of the ante and post-shock value of the rates.

As mentioned in the section dedicated to “Qualitative information”, the proper representation in terms of risk and profitability of demand negotiations required their modelling to estimate both the persistence of aggregates and the actual index-linking level of interest rates. Customer loyalty gives on-sight items a much higher actual duration than contractual duration. Moreover, for these items, the extent and ways of redefining the interest rate depends, in addition to the market rate trend, also on the specific characteristics of each relation between the bank and the customer.

At year end, the changed duration calculated for all financial statements assets and liabilities as well as the duration gap were modest. Assuming that the rate structure makes a parallel shift upwards of 100 basis points, the economic value would decrease by EUR 36.3 million. In the event of an equal downward shift, using the floor provided by the EBA, which goes from -100 basis points for short-term maturities to 0 basis points for the 20-year node, there would be an increase of EUR 84.3 million.

With regard to income profiles, in the case of instantaneous and parallel shifts of the yield curve by +100 basis points, the change in net interest income generated by the banking book, over a time horizon of 12 months, would equal EUR +45.9 million, whereas it would equal EUR -18.6 million in the case of shifts of -100 basis points (using the floor provided by the EBA) These amounts express the effect of changes in the interest rates on the banking book, excluding changes in the composition and size of the financial statement items. As a result, these cannot be considered as an indicator in forecasting the expected level of the net interest income. However, under the assumptions indicated, changes in the net interest income would result in equal changes in total income and minor changes in profit.

2.3 FOREIGN EXCHANGE RISK

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of foreign exchange risk

General aspects

Foreign exchange risk is the possibility that fluctuations in market exchange rates could lead to significant changes, both positive and negative, in the value of the Bank ‘s equity. The main sources of foreign exchange risk are mainly related to the operations of spot and forward customers and to the sale and purchase of securities. The amounts of assets and liabilities in foreign currency are modest. Currency derivatives consist mainly of forward trading.

As regards management processes and measurement methods for foreign exchange risk in the trading book, please see that set forth in the paragraph “Interest rate risk and price risk - Supervisory trading book - Qualitative disclosures”.

All foreign currency positions generated by transactions with customers are managed together with the Finance Department of Credito Valtellinese through analysis of open gaps (non-offset positions). The monitoring of currency risk is based on defined limits in terms of maximum acceptable loss and risk, forward gap position and overall open gap position.

B. Foreign exchange risk hedging

As the reporting date there was no Foreign exchange risk hedging.

QUANTITATIVE DISCLOSURES

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	USD	GBP	JPY	AUD	CHF	Other currencies
A. Financial Assets						
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	36	-	-	-	-	1
A.3 Loans to banks	-	193	1,924	10	5	1,041
A.4 Loans to customers	11,927	1,596	80	-	5,384	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**6,216**	**1,204**	**529**	**2,508**	**1,855**	**928**
C. Financial Liabilities						
C.1 Due to banks	1,581	217	2	-	169	170
C.2 Due to customers	51,032	3,390	2,531	2,570	7,962	2,183
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives						
+ long positions	30,857	134	79	-	138	563
+ short positions	30,375	137	78	-	194	656
Total assets	**49,036**	**3,127**	**2,612**	**2,518**	**7,382**	**2,533**
Total liabilities	**82,988**	**3,744**	**2,611**	**2,570**	**8,325**	**3,009**
Mismatch (+/-)	**-33,952**	**-617**	**1**	**-52**	**-943**	**-476**

Forward purchase and sale transactions of securities or currencies are reported in item “E. Financial derivatives”.

2. Internal methods and other sensitivity analysis methods

As regards internal models for foreign exchange risk in the trading book, please see that set forth in the paragraph “Interest rate risk and price risk - Regulatory trading book - Quantitative disclosures”..

Section 3 – Derivative instruments and hedging policies

3.1 DERIVATIVE INSTRUMENTS HELD FOR TRADING

A. Financial Derivatives

A.1 Financial derivatives held for trading: closing notional values

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and Equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**59,154**	**-**	**-**	**-**	**10,977**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	59,154	-	-	-	10,977	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**59,154**	**-**	**-**	**-**	**10,977**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/ Type of derivatives	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	With netting arrangements			With netting arrangements	With netting arrangements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	2	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	418	-	-	-	176	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**418**	**-**	**-**	**-**	**178**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	379	-	-	-	80	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**379**	**-**	**-**	**-**	**80**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	29,322	-	29,833
- positive fair value	X	227	-	191
- negative fair value	X	158	-	221
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC derivatives held for trading: notional values

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial derivatives on foreign exchange rates and gold	59,154	-	-	59,154
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**59,154**	**-**	**-**	**59,154**
Total 31 Dec. 2020	**10,913**	**64**	**-**	**10,977**

B. Credit Derivatives

As at the reporting date, there were no credit derivatives.

3.2 Hedge accounting

QUALITATIVE DISCLOSURES

A. Fair value hedging

The hedging of interest rate risk aims to protect the banking book from fair value changes of assets caused by changes in the interest rate curve (fair value hedge); types of derivatives used are represented by Interest Rate Swaps (IRS) carried out with third parties.

The Financial and Operational Risk Division is responsible for verifying the effectiveness of the hedging of interest rate risk for the purpose of hedge accounting, in compliance with the IFRS.

It should be noted that, as specified in the Accounting Policies, Credito Valtellinese makes use of the possibility envisaged by IFRS 9 to continue to fully apply the provisions of the IAS 39 accounting standard on hedge accounting (opt-out).

At year-end, the banking book of Financial assets at amortised cost included only one hedging operation for Italian government bonds (BTPs) for a nominal amount of EUR 300 million and due in 2031 To this end, hedging derivatives (IRS with fixed exchange rate against 6-month Euribor plus a spread) were used. They were entered into together with the purchase of underlying securities. The hedging transaction is not affected by uncertainty arising from the reform of benchmark indexes for determining interest rates.

The effectiveness tests carried out on a monthly basis confirmed a very high effectiveness and, anyway, within the range required by the IFRS.

B. Cash flow hedging

No cash flow hedges are pending or were carried out.

C. Hedging of investments in foreign operations

No such transactions are pending or were carried out.

D. Hedging instruments

No factors that could potentially change the hedging relationship were recognised at the time of initial designation or subsequently emerged.

E. Hedged items

The hedge accounting of Credito Valtellinese is carried out through the specific fair value hedge (hedge accounting) of assets specifically identified (specific hedging) with the objective of hedging the variability of the relevant fair value component linked to changes in interest rates, excluding the residual component of the credit risk.

The effectiveness of the hedge is measured as follows:

- At the initial date, the hedged component is defined by identifying the fixed coupon of a theoretical security (inclusive of the base component between the target hedging rate, i.e. 6-month Euribor, and the risk free rate, represented by the Eonia rate) in such a way that it has, on the basis of the current rate curve, a fair value equal to the amortised cost of the hedged BTP on the effective date of the relevant hedging derivative;
- The following fair value changes of this theoretical security are calculated (after adjusting the new base component) by comparing the new value, on the basis of the rate curve existing on the date of analysis, with the amortised cost of the BTP existing on that date (or with the amortised cost on the effective date, if the reference date is before);
- These fair value changes are compared to the fair value changes recorded by the relevant hedging IRS, less (only for the purposes of the effectiveness test) the previous described component of reverse entry in the Income Statement (net interest income) of any upfront implicitly received at source.

QUANTITATIVE DISCLOSURES

A. Financial Derivatives held for hedging

A.1 Financial derivatives held for hedging: closing notional values

Underlying assets/Type of	Total 31 Dec. 2021				Total 31 Dec. 2020			
	Over the counter			Organized	Over the counter			Organized
	Counterparties central	Without central			Counterparties central	Without central		
		With netting arrangements	With out netting arrangements			With netting arrangements	With out netting arrangements	
1. Debt securities	-	-	300,000	-	-	-	300,000	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	300,000	-	-	-	300,000	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	300,000	-	-	-	300,000	-

A.2 Financial derivatives held for hedging: gross positive and negative fair value - breakdown by product

Tipologie derivati	Positive and negative fair value								Change in value used to calculate hedge ineffectiveness	
	Total 31 Dec. 2021				Total 31 Dec. 2020					
	Over the counter			Mercati organizzati	Over the counter			Mercati organizzati	Total 31 Dec. 2021	Total 31 Dec. 2020
	Controparti centrali	Senza controparti centrali			Controparti centrali	Senza controparti centrali				
		Con accordi di compensazione	Senza accordi di compensazione			Con accordi di compensazione	Senza accordi di compensazione			
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	126,409	-	-	-	159,057	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**126,409**	**-**	**-**	**-**	**159,057**	**-**	**-**	**-**

A.3 OTC financial derivatives held for hedging: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	300,000	-	-
- positive fair value	X	-	-	-
- negative fair value	X	126,409	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives held for hedging: notional values

Underlying asset/residual maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	300,000	300,000
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial derivatives on foreign exchange rates and gold	-	-	-	-
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2021	**-**	**-**	**300,000**	**300,000**
Total 31 Dec. 2020	**-**	**-**	**300,000**	**300,000**

B. Credit derivatives held for hedging

As at the reporting date, there were no credit derivatives held for hedging.

C. Non-derivative hedging instruments

As at the reporting date, there were no non-derivatives hedging instruments.

D. Hedged items

As at the reporting date there were no hedged instruments to which hedge accounting rules apply in accordance with IFRS 9.

E. Effects of hedging through equity

As at the reporting date there were no hedging through equity.

3.3 Other information on derivative instruments (held for trading and for hedging)

A. Financial and credit derivatives

As at the reporting date there no financial derivatives that meet the criteria of IAS 32 - paragraph 42 and there were no credit derivatives.

Section 4 – Liquidity risk

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk

The liquidity risk to which the banks are normally exposed due to the phenomenon of transformation of maturities is the risk that the banks will not be able to meet its payment commitments. The failure to meet its payment commitments may be due to the following inability to:

- Procure the funds (funding liquidity risk);
- Divest their assets (market liquidity risk).

The liquidity risk is generated by the misalignment, by amount and/or date, of incoming and outgoing cash flows generated by a bank's assets, liabilities and off-balance-sheet items The objectives to maintain balanced liquidity conditions are duly considered when carrying out strategic and operational planning as well as in identifying and developing new products. The exposure to risk is assumed through loans and deposits with customers, as part of the treasury and securities portfolio management functions or through non- recurring transactions, for example wholesale transactions or the purchase of equity investments. The exposure to liquidity risk profile can vary significantly also due to the behaviour of customers when particular maturities are set (e.g. self-taxation payments) or preferences (e.g. adjustment of the composition of the portfolio of assets held) are changed.

Liquidity management is aimed primarily at ensuring the solvency also in stressful or crisis conditions. Therefore, the actual assumption of risk is subordinate to maintaining the Bank's technical equilibrium. The opportunity cost associated with the holding of liquid assets is taken into account within the Bank's profitability valuations. The pursuit of a limited exposure to liquidity risk, as defined within the Risk Appetite Framework, is reflected in the composition of statement of financial position aggregates, characterised by a moderate transformation of maturities.

The approach adopted for risk management envisages integration of the cash flow matching approach (which tends to make expected cash inflows coincide with expected cash outflows for each time horizon) with the liquid assets approach (which requires the financial statements to include a set number of financial instruments that can be readily converted into cash) In order to face up to the possible occurrence of unexpected liquidity requirements and thus to mitigate the relevant risk exposure, the Group provides itself with adequate short- term cash reserves (liquidity buffer)

The liquidity risk management process mainly involves the structures engaged in financial management and oversee the strategic planning and management control processes.

The structure engaged in risk control, being independent of the structures engaged in liquidity "operational management, is involved in managing liquidity risk.

Liquidity Risk management, measurement and control

The exposure to risk occurs and is managed according to four different profiles compared to the considered time horizon::

- Intra-day liquidity that deals with the daily management of treasury balances and the settlement of transactions in the payment method;;
- Short-term liquidity that aims at optimising cash flows and balancing the liquidity requirements in a quarterly horizon;
- Forward-looking medium-term liquidity, concerning the implementation of the funding actions envisaged for the financial year or for 3-12 months following the end of the reporting period;
- Structural liquidity that forms part of planning and assumes an overall business strategy.

Each of them has different exposure profiles, methodology approaches, techniques, mitigation instruments, corrective actions.

As the considered time horizon increases, the levels of freedom of management increase: they cover structural and strategic actions (e.g. securitisations, operations on the capital, amendments to the Group structure, acquisitions and transfers, supervision/abandonment of market segments). On the other hand, in the very short term, the reaction to unexpected and sudden tensions is based on the use of existing cash reserves (liquidity buffer).

The threshold of tolerance to liquidity risk is understood as a maximum risk exposure considered sustainable within the "ordinary course of business" (going concern) supplemented by "stress scenarios" and is measured by using the techniques outlined below.

Intra-day risk exposure is assessed by identifying all relevant sources of risk (such as, for example, large flows, concentration per counterparty, time-specific obligations, differences between collections and payments) and the liquidity available on the management account and in terms of collateral..

Liquidity risk is assessed in the short and very short term as part of the treasury activity "Overall liquidity net balance" (sum between the "Cumulative net balance of positions due" and liquidity reserves), recognised over a period of three months and with reference to specific and different time ranges

With regard to the medium-term perspective, the planning prepared annually shows the potential liquidity requirements and the effects of the expected trend of the aggregates on the profile of operational and structural liquidity; the funding objectives for the planned year and activities consistent with the short-term requirements and with the preservation of the structural balance are defined..

Exposure to risk referring to the structural perspective is monitored in relation to all the time horizons of the maturity ladder in terms of unbalance between liabilities and assets of the same time horizon; the reference indicator is represented by the "Gap ratio" beyond one year. The model for dealing with sight items, which was developed for ALM analyses, is also used in the assessment of the exposure to risk.

The assessment of exposure to liquidity risk in all four of its temporal manifestations makes use of stress testing.. Stress tests consider both idiosyncratic adverse events (bank specific) and systemic adverse events (market wide) based on their importance for company operations in terms of liquidity and assess the possible impacts of their occurrence both individually (uni-factorial analysis) or jointly (multi-factorial analysis; combined scenarios)). Considering in particular the short-term profile, with the aim of capturing and highlighting different aspects of potential vulnerability, some basic tests are performed concerning::

- The profile of concentration of funding sources (tests with different levels of severity) and the outflow of wholesale deposits;
- The reduction in retail deposits;
- The increased use of irrevocable credit lines to large corporates;;
- The reduction of liquidity reserves due to the decrease in market values, the loss of eligibility requirements or the application of further haircuts.

The combined impact of the said tests on Creval's overall liquidity net balance is then analysed.

Limiting liquidity risk exposure, aimed at ensuring solvency, including in highly critical situations, is mainly pursued through a distinct set of organisational management decisions and safeguarding measures, the more significant being:

- Constant attention to the technical situations in terms of balanced structuring of asset and liability expiry dates, with special regard to short term maturities;
- The diversification of funding sources, in terms of technical form, counterparties and markets.
- The holding of assets readily convertible into cash to be used as guarantees for financing transactions or that can be sold directly in the event of stressful situations;
- The Contingency Funding and Recovery Plan.

The different organisational structures involved in the management of liquidity risk produce, in relation to their operational and monitoring activities, special reports for corporate bodies.

The Financial and Operational Risk Department monitors daily the exposure to liquidity risk on the basis of intra- day and short-term profiles, on a monthly basis compared to medium and structural dimensions, and verifies consistency with the risk appetite and compliance with the system of limits. Adequate information flows are provided on a regular and timely basis to corporate bodies and functions of management and control; any overrun of the risk exposure limits are promptly reported to the functions identified by internal regulations in accordance with the set procedures.

In the reporting period, the corporate processes, organizational structures, the strategic directions and methodological approaches concerning the management of liquidity risk underwent changes within the progressive integration of Creval in the Crédit Agricole Italia Group.

As at the reporting date, Creval held liquidity reserves mostly consisting of Italian Government bonds and other assets eligible for refinancing operations with the ECB (including loans that meet the eligibility requirements), deemed appropriate to its present and forward-looking needs. The Liquidity Coverage Ratio is well above the minimum regulatory requirement. As at 31 December 2021 the LCR was 274%; specifically, the liquidity buffer stood at Euro 8,828 million while net outflows assumed in the regulatory tress scenario amounted to Euro 3,218 million.

The main source of funding consisted of stable and diversified funding from retail customers. The use of long-term refinancing transactions with the Central Bank is also important..

Considering the present composition of Creval's funding, in order to assess concentration, the degree of dependence on a limited number of counterparties is analysed, in particular, whereas transactions in currencies other than the Euro and the concentration on special technical forms such as asset-backed securities are not material. Therefore,, the stock of on-demand and short-maturity liabilities to the major wholesale counterparties (institutional investors, large companies or groups, non-economic institutions) considered more sensitive to the market situation and to the real or perceived situation of the Bank.. The degree of concentration remains low.

From a structural perspective, Creval carries out modest maturity transformation.

Impacts generated by the Covid-19 pandemic

Following the spread of the Covid-19 pandemic, monetary and tax authorities put in place strongly expansionary measures, which helped to contain the shock in the markets. As part of a comprehensive set of monetary policy measures, the ECB launched, in particular, interventions on its refinancing programmes in order to facilitate the granting of credit to the companies most affected by the emergency. Temporary measures were also approved to expand the availability of guarantees (thereby facilitating banks' access to financing and supporting credit to businesses and households) and to mitigate the impact of possible rating downgrades on collateral availability caused by the economic deterioration following the pandemic.

The interbank market continued to benefit from the extensive liquidity provided by the ECB through the measures decided to counter the economic and financial consequences of the health emergency.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/Time brackets	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**1,410,907**	**262,889**	**255,920**	**208,174**	**1,421,547**	**727,739**	**1,116,667**	**8,723,580**	**4,974,553**	**4,578,147**
A.1 Government securities	278	-	231	-	313,945	118,963	108,812	2,857,943	380,000	-
A.2 Other debt securities	508	-	-	43,214	909	9,977	52,784	655,671	256,167	-
A.3 Units of collective investment undertakings	7,338	-	-	-	-	-	1,825	68,675	39,395	-
A.4 Loans	1,402,783	262,889	255,689	164,960	1,106,693	598,799	953,246	5,141,291	4,298,991	4,578,147
- banks	200,403	3,117	-	-	-	-	-	-	-	4,578,147
- customers	1,202,380	259,772	255,689	164,960	1,106,693	598,799	953,246	5,141,291	4,298,991	-
On-balance-sheet liabilities	**16,299,229**	**5,542**	**22,636**	**76,686**	**106,846**	**193,841**	**1,522,178**	**4,599,642**	**324,521**	**-**
B.1 Deposits and current accounts	16,193,089	5,442	22,345	73,498	100,134	163,440	1,191,969	4,429,936	-	-
- banks	23,588	-	121	-	-	-	981,958	4,000,000	-	-
- customers	16,169,501	5,442	22,224	73,498	100,134	163,440	210,011	429,936	-	-
B.2 Debt securities	65,080	100	291	2,380	4,179	14,251	308,603	7,778	150,000	-
B.3 Other liabilities	41,060	-	-	808	2,533	16,150	21,606	161,928	174,521	-
Off-balance- sheet transactions	**-66,774**	**-30,515**	**30,518**	**31**	**7,225**	**9,643**	**43,736**	**19,750**	**3,607**	**-**
C.1 Financial derivatives with exchange of principal	-	6	-3	4	30	6	2	-	-	-
- long positions	-	4,060	4,666	8,929	26,904	13,334	4,936	-	-	-
- short positions	-	4,054	4,669	8,925	26,874	13,328	4,934	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	7,837	7,755	-	-	-
- long positions	-	-	-	-	-	9,000	9,000	-	-	-
- short positions	-	-	-	-	-	1,163	1,245	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-67,288	-30,521	30,521	5	7,113	1,735	35,693	19,291	3,451	-
- long positions	292,435	-	30,521	5	7,113	1,735	35,693	19,291	3,451	-
- short positions	359,723	30,521	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	514	-	-	22	82	65	286	459	156	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of princip	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principa	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

The above table shows both Euro and foreign currency transactions in that the foreign currency component is not relevant. Forward purchase and sale transactions of securities or currencies are reported in item "Off-balance-sheet transactions".

Section 5- Operational risks

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of operational risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including juridical risk It includes, inter alia, losses deriving from fraud, human error, interruption of operations, system break-down, contractual non-performance and natural disasters

The wide variety of operational risks is not normally associated with banking operations. These risks may originate either internally or externally and their scope may extend beyond the corporate structure.

In order to ensure that the risk appetite defined by the Board of Director is complied with, Creval defined a system of operating limits for the various Event Types.

Operational risk management is part of an integrated management strategy that aims to contain overall risk also by preventing propagation and transformation of the risks.

Operational risk management is based on the following guidelines:

- To increase overall operating efficiency;
- To prevent the occurrence or reduce the likelihood of events that may potentially generate operational losses through appropriate regulatory, organisational, procedural and training measures;
- To mitigate the expected impact of said events;
- To transfer risk that the Bank does not intend to maintain through insurance agreements;
- To protect the reputation and brand of the Bank and of the Group.

The identification, assessment and monitoring of operational risks tend to carry out mitigation actions.

Finally, specific types of risks are transferred through a series of insurance policies offering a wide-ranging coverage on different types of potentially damaging events.

With respect to the organisational structures and management processes, the Risks and Control Department of Credito Valtellinese contributes to the definition of the risk management policy at Group level, develops the operational risk assessment process, supports the Governing Bodies in defining and carrying out the activities related to the observance of the prudential regulations and ensures accurate, complete and timely information.

In particular, the Operational and Reputational Risk Service deals with the development and management of the models concerning operational risks, supervises the systematic and structured loss data collection from various departments of the company, carries out the analyses required, assesses the operational risks on an adequate basis and can propose appropriate management measures and mitigation instruments.

The timely and accurate recognition of the events that may actually or potentially generate operating losses is carried out by a network of company contacts using a special application that enables to register and keep identifying information, damage estimates, accounting final data and the effects of mitigation through insurance instruments.

Risk exposure is assessed and measured, at a separate and consolidated level, with reference to a wide range of phenomena that can lead to operational losses.

The model for the assessment and measurement of operational risk is based on the combined use of::

- Internal operational loss data, collected by the network of company contacts;
- A periodic self-diagnostic process to assess the prospective exposure to operational risk (known as Risk Self- Assessment), in relation to certain events known as “scenarios”, in terms of probability of occurrence and economic impact, as well as the conditions of the operating context, based on the business experts’ opinion;

- Operational context factors and of the internal control system, called Key Risk Indicators, aimed at a forward-looking representation, which reflect the improvement or the worsening of the Bank risk profile in a timely manner, following any changes in the operational segments, human resources, technology and organisation, or the internal controls system;
- External data of operational loss, surveyed in the Italian Database of Operational Losses (DIPO), to which the Group belongs with the status of “total group member”..

Thanks to the analyses, assessments and comparisons carried out, an overall assessment can be made by relevant operating segments of the level of exposure to operational risks, and any change in the reporting period can be understood.

Moreover, the carrying out of stress tests makes it possible to check the effects of the general increase of operational risk associated with the manifestation of widespread and significant operational losses..

The results of the assessment are used for management purposes to prevent and mitigate operational risks.

In order to ensure corporate bodies full knowledge and governance of the risk factors and make available to the persons in charge of the corporate functions the information pertaining to them, the Risks and Control Department produces and distributes at regular intervals (quarterly, half-yearly and yearly) information flows on operational risks that offer a full representation of the different operational risk profiles and of the mitigation measures implemented during the reporting period or that are expected to be implemented in the future.

The Risks and Control Department receives in its turn reporting flows, both from other control structures (Internal Audit and Compliance) and from other management departments (e.g. Operations, ICT, Human Resources, Legal, Physical and logical security), which supplement the knowledge of operational risk profiles and are used to monitor activities and projects for operational risk mitigation purposes.

The occurrence of any critical situation gives rise to corrective and mitigating actions, the effects of which are monitored and made known to the corporate bodies according to the ordinary reporting methods..

The disaster recovery plan laying down the technical and organisational measures to deal with events that result in the unavailability of data processing centres is part of problem management. The plan, designed to allow the operation of relevant computerised procedures in sites other than those of production, is an integral part of the Business continuity plan, controlled by the Security and Business Continuity Service..

Creval has adopted the standardised method (TSA) for calculating the capital requirement to meet operational risks).

In accordance with the supervisory regulations, a number of requirements shall be met in order to adopt the standardised method; specifically, the entity must have a properly documented system for managing and assessing operational risk, the various responsibilities must be clearly assigned; and this system must be subject to independent regular reviews carried out by an internal or external auditor having the appropriate the skill.

In this regard, a self-assessment is carried out as well as a specific series of audits by the internal audit department.

The self-assessment process, carried out annually by the Risks and Control Department, consists of a formalised set of procedures and activities aimed at assessing the quality of the operational risk management system, as well as its compliance over time with regulatory requirements, company operational requirements and the development of the target market.

The process develops along the applicable guidelines outlined in the Group policies concerning “The assessment of the risk management processes” and is based on the following profiles: governance; risk management policies; organisation of the risk management function; methods and instruments for identifying, measuring and managing risks; monitoring and reporting; prevention and mitigation of risks; management of critical issues;.

These profiles also include the information and assessment elements concerning the components characterising the operational risk management system according to the supervisory regulations.. The assessment of each profile is complemented by the indication of areas and lines of improvement. An overall rating is then formulated on the basis of the profile assessments.

The assessment of the risk management system is complemented by the assessments related to the process of production of the supervisory reports, with a special reference to the calculation of the capital requirement to meet the operational risk and to the reporting of the operational losses recorded for the different business lines.

The results, verified by the internal audit department, are submitted on an annual basis to the Board of Directors, which resolves on the existence of the eligibility requirements for the adoption of the standardised approach.

Legal risks

A provision was made in the financial statements, appropriate and consistent with the international financial reporting standards compliant with the policy for calculating the provisions adopted by the Bank, in order to mitigate any expenses that may result from the pending legal proceedings in which Creval is a party The amount of the provision is estimated on the basis of several assessment elements mainly concerning the estimate on the outcome of the case and, in particular, the likelihood of losing the case with the conviction of the Bank, and the elements of quantification of the amount that the Bank could be obliged to pay to the counterparty if it loses the case

The estimate on the outcome of the case (risk of losing in a lawsuit) considers, for each position, the legal aspects inferred in court, assessed in the light of the case law, actual evidences presented during the proceedings and the development of the proceedings, as well as, for subsequent encumbrances, the outcome of the first instance judgement, as well as past experience and any other useful element, including the opinions of experts, making it possible to take into proper account the expected unfolding of the dispute.

The amount due in case of an adverse outcome is expressed in absolute value and shows the estimated value based on the court findings, considering the amount requested by the counterparty, the technical estimate carried out internally based on the accounting records and/or presented during the trial and, in particular, the amount assessed by the court-appointed expert - if provided - as well as legal interests, calculated from the notification of the application initiating proceedings and any expense due for adverse outcome.

If it is not possible to obtain a reliable estimate (failure to quantify the claims for compensation by the claimant, presence of uncertainties of law and of facts that make any estimate unreliable), no provisions are made as long as it is impossible to foresee the outcome of the proceedings and reliably estimate the amount of any loss.

As at 31 December 2021, 1,724 lawsuits were pending in which the Bank is the defendant, for a total amount claimed or Euro 149 million, against which a total loss of Euro 30 million is expected.

The provisions mainly refer to requests for restitution for compound interests and bankruptcy claw-backs, claims for compensation for losses accrued in investments in financial instruments and other cases of damages broken down as follows.

Type of cases	NO. of cases	Relief sought (thousands of Euros)	Provision made (thousands of Euros)
Compound interest	178	22,141	7,138
Bankruptcy clawback	18	6,376	1,854
Investment services	21	4,505	1,637
Other	1,507	115,493	18,993
Total	**1,724**	**148,515**	**29,622**

There are also 147 out-of-court claims outstanding, for which a total loss was estimated at approximately Euro 2.6 million total loss of approximately Euro 2.6 million.

The Bank pursues careful and considered settlement logic, based on an in-depth analysis of the actual grounds on which the actions are based, meaning the existence of both the subjective and objective elements.

Labour law disputes

As at 31 December 2021 there were 10 pending labour law disputes against the Bank.

As regards risk quantification, as at 31 December 2021, against the relief sought through the pending labour law disputes amounting to approximately Euro 1.4 million, provisions were made for risks and charges of approximately Euro 1 million.

The pending labour law disputes are outlined below:

Type of cases	NO. of cases	Relief sought (thousands of Euros)	Provision made (thousands of Euros)
Dismissal challenging	4	237	322
Deskilling - higher qualification	3	489	217
Other	3	685	423
Grand total	**10**	**1,411**	**962**

Information and Communication Technology (ICT) Risk

ICT risk is the risk of incurring business, financial, reputational and market share losses in relation to the use of the Information and Communication Technology - ICT.

ICT risk analysis is a tool ensuring the efficiency and effectiveness of the measures deployed to protect the ICT resources.

In the light of the supervisory provisions on this matter, Creval designed and implemented the overall framework for managing ICT risk as well as the methods of risk analysis and assessment.

The process of ICT risk analysis is the responsibility of the Risk and Control Department but comprises the contributions given by several structures of the ICT, Operations & Services Area and of the Security Division and consists of the following phases:

- Determining the potential risk to which a business product/service or a process/service within the Group is exposed as a result of a potential occurrence of an ICT risk scenario. The potential risk is determined by combining the impact assessments expressed by the Users in charge on the business products/services or on the processes/services within the Group of direct concern, with the probability of occurrence of the threats applicable to IT services used for the supply of business products/services or process/services within the Group, in the absence of any kind of technical, procedural or organisational counter-measures.
- Determining the residual risk to which a business product/service or a process/service within the Group is exposed as a result of a potential occurrence of an ICT risk scenario, considering the state of implementation of existing controls on ICT services used for the supply of business products/services or process/services within Creval;
- Treating the residual risk in order to identify technical or organisational mitigation measures suitable for limiting any residual risk exceeding the set acceptance threshold, by adopting alternative or further measures of risk limitation, submitted to the approval of the Management Body.

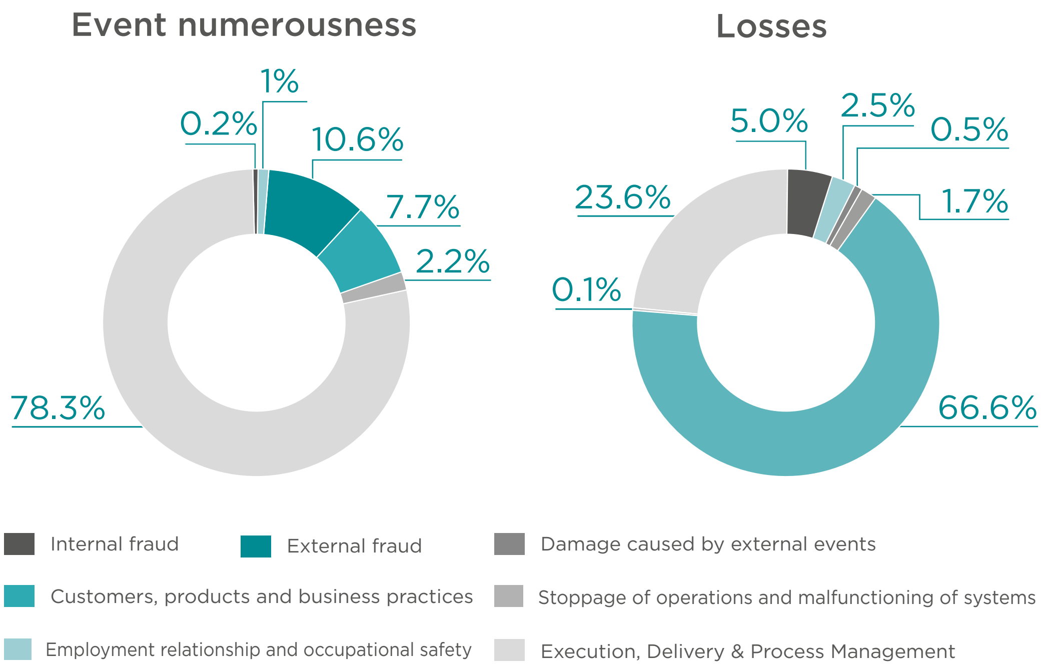
When assessing the risks on the components of the ICT system and already existing applications, Creval takes into account the data available concerning ICT security incidents occurred in the past.

The process of risk analysis is repeated annually and, in any case, in the presence of situations that can affect the overall ICT risk level.

QUANTITATIVE DISCLOSURES

The percentage breakdown of operational losses recognised in the internal database during the year is given below in terms of frequency and impact.

Operational losses - Breakdown by type of event



In terms of frequency, the events occurred in the period were mainly of type "Execution, Delivery & Process Management" (78.3%), "External fraud" (10.6%) and "Customers, products and business practices" (7.7%).

In terms of percentage weight on losses, "Customers, products and business practices" accounted for 66.6%, "Execution, Delivery & Process Management" accounted for 23.6% and "Internal fraud" accounted for 5%; the other event types had lower weight on losses.

Section 6 – Other risks

In addition to the above-described risks, the following other risks are also reported.

Risk of excessive leverage

The risk of excessive leverage is defined by the prudential regulations as "the risk that a particularly high level of debt compared to equity makes the Bank vulnerable, making it necessary to take corrective measures for its business plan, including the sale of assets with recognition of losses that could result in impairment losses also on the remaining assets".

The and management objective is the control of the risk by reducing the asset trend within the limits compatible with a long-term equilibrium, so as not to risk the stability of Creval.

The risk of excessive leverage concerns the entire financial statements, the exposures deriving from derivatives and from off-balance-sheet assets held by Creval and is taken when carrying on the core business. The degree of exposure to this risk is closely related to planning; t is mitigated through capital management and asset management actions in accordance with Creval's current strategic plan. Moreover, the possible increase in the risk related to the recognition of expected or realised losses that reduce the equity available is also considered

The measurement of the risk of excessive leverage is based on the regulatory parameter "leverage ratio"; since this amount does not include corrections/weightings for risk, it acts as a completion of the Pillar I capital requirements.Risk of excessive leverage This also contributes to limit the accumulation of the leverage at the system level The risk exposure is also assessed through other indicators that can recognise any imbalance between assets and liabilities..

The Risks and Control Department monitors on a quarterly basis the trend of the leverage ratio and the structural balance indicators. Regular reporting is provided to the corporate bodies.

In order to assess more accurately the exposure to risks and their trend in adverse conditions, their mitigation and control systems and the adequacy of capital and organisational methods, stress tests that consider, either separately or jointly, the decrease in own funds and the increase in exposures of different size are also carried out..

As at 31 December 2021, albeit having considerably decreased, the leverage ratio stood well above the minimum threshold given by the international standards.

Sovereign risk

The investment in Italian Government securities, mostly recognized as "Financial assets at amortised cost", involves the exposure to the credit risk of the Italian Republic that, as with any other issuer, may occur in the form of a decrease in creditworthiness or, in extreme cases, of insolvency. The investment in Spanish and Portuguese Government securities:, of a smaller size, generates an exposure to the credit risk of Spain and Portugal.

This exposure is monitored on a regular basis reported to the Corporate Bodies.

The forward-looking development in the exposure to sovereign risk is assessed using adverse scenarios of different severity also based on historical simulations, and their impact on the value of the portfolio.

As at the reporting date, the exposure was lower vs. the end of the previous FY In 2020 the spread of the Covid-19 epidemic caused a significant increase in the credit risk of the Italian Republic, which then gradually decreased also thanks to the monetary policy initiatives of the ECB and the extraordinary measures deployed by the European Union (Recovery Fund), which fostered the restart of the Italian economy.

The table below shows the carrying amount of the exposures to Government bonds, broken down by portfolio.

Government securities/Countries	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost	Total	HTCS reserve (*)
Italy	2	419,246	3,176,152	3,595,400	-1,147
Spain	-	-	296,267	296,267	-
Portugal	-	-	10,820	10,820	-
Total	**2**	**419,246**	**3,483,239**	**3,902,487**	**-1,147**

(*) Valuation reserve of financial assets measured at fair value through other comprehensive income net of tax effects.

The table does not include the securities of the Elrond and Aragorn securitisations, backed by GACS of EUR 660 million.

The table below provides information on the maturities of exposures in Government securities.

Portfolio	2022	2023	2024-2026	2027-2031	Over 2031	Total
Financial assets measured at fair value through P&L	-	1	-	1	-	2
Financial assets measured at fair value through other comprehensive income	164,504	9,797	158,956	85,989	-	419,246
Financial assets measured at amortized cost:	306,961	706,334	2,044,545	425,399	-	3,483,239
Total	**471,465**	**716,132**	**2,203,501**	**511,389**	**-**	**3,902,487**

As at 31 December 2021, securities issued by Governments were measured referring to prices inferred from markets (Level 1 fair value).

Additionally, loans to customers referring to central and local and central public administrations amounting to EUR 58 million were also recognised.

Reputational risk

It is the present or forward-looking risk of decrease in profits or capital subsequent to any negative perception of the Bank's image by customers, counterparties, shareholders, investors and supervisory authorities

Reputation is an essential resource and is held by the Bank as a distinctive element that is also the foundation of a long-lasting competitive advantage.

Reputational risk may arise from a wide range of factors, also outside the corporate structure and outside the work of the Bank (e.g. from the dissemination of inaccurate or unsubstantiated information or from phenomena that concern the system and can involve all institutions without distinction).

In the reporting year, there were no elements that may have changed or may materially impact on the perception of the image of the Bank in the short term with the various categories of stakeholders (customers, counterparties, shareholders, investors or supervisory authorities).

Risk towards associated persons

This is the risk that the proximity of certain persons to decision-making centres of the Bank might compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with regard to these subjects, with possible distortions in the allocation of resources, the Bank's exposure to risks not adequately measured or monitored, potential damage to depositors and shareholders.

In order to preserve decision-making objectivity and impartiality and avoid allocative distortions, the Bank adopted strict procedures and limits more stringent than regulatory, regularly monitored.

In the financial year, the exposure remained essentially constant and is in full compliance with the limits set by the prudential regulations and by internal policies.

PART F – INFORMATION ON EQUITY

Section 1 – Shareholders' equity

QUALITATIVE DISCLOSURES

Equity is defined by the international financial reporting standards as "the residual interest in the assets of the entity after deducting all its liabilities". In a financial logic, equity represents monetary value of the injections by the owners or generated by the company.

Equity management concerns all the policies and choices required for defining its size, as well as the optimal combination among different alternative instruments of capitalisation aimed at ensuring that the consolidated equity and capital ratios of Credito Valtellinese are on a consistent basis with the risk profile assumed in full compliance with the supervisory requirements.

At 31 December 2021, equity amounted to Euro 1,494 million vs. Euro 1,752 million at the end of December 2020. The main changes occurred in the reporting period resulted from from the Euro 10.9 million decrease in valuation reserves, which was due mainly to the value change in profit (losses) on financial assets through other comprehensive income, from the distribution of dividends for Euro 16.1 million and to the loss for the period of Euro 231.1 million.

As at 31 December 2021Credito Valtellinese's share capital fully subscribed and paid in stood at Euro 1,643,508,053 and consisted of 70,149,694 ordinary shares. As at the reporting date, no treasury shares were held as they had been sold in the period.

QUANTITATIVE DISCLOSURES

B.1 Shareholders' equity: breakdown

The breakdown of equity as at 31 December 2021 is given below:

Items/Values	Amount as at 31 Dec. 2021	Amount as at 31 Dec. 2020
1 Capital	1,643,508	1,643,508
2. Share premium reserve	-	-
3. Reserves	85,521	-7,824
- retained earnings	85,521	-7,824
a) legal reserve	5,012	-
b) extraordinary	79,114	26
c) treasury shares	-	100
d) other	1,395	-7,950
- other	-	-
4. Equity instruments	-	-
5. (Treasury Shares)	-	-100
6. Valuation reserves	-3,575	7,352
- Equity securities designated at fair value through other comprehensive income	-6,130	-293
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	727	6,127
- Property, plant and equipment	11,687	11,687
- Actuarial gains (losses) pertaining to defined-benefit pension plans	-9,859	-10,169
7. Profit (Loss) for the period	-231,185	109,329
Total	**1,494,269**	**1,752,265**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	Total 31 Dec. 2021		Total 31 Dec. 2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debt securities	727	-	6,127	-
2. Equity securities	-	-6,130	148	-441
3. Loans	-	-	-	-
Total	**727**	**-6,130**	**6,275**	**-441**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1 Opening balance	**6,127**	**-293**	**-**
2. Increases	**2,100**	**204**	**-**
2.1 Fair value gains	-	204	-
2.2 Adjustments for credit risk	-	X	-
2.3 Reclassification to profit or loss of negative reserves from disposal	2,100	X	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5. Other changes	-	-	-
3. Decreases	**-7,500**	**-6,041**	**-**
3.1 Fair value losses	-7,420	-5,837	-
3.2 Recoveries for credit risk	-80	-	-
3.3 Reclassification to profit or loss of positive reserves from disposal	-	X	-
3.4 Transfers to other equity components (equity securities)	-	-204	-
3.5. Other changes	-	-	-
4. Closing Balance	**727**	**-6,130**	**-**

B.4 Valuation reserves relating to defined-benefit plans: annual changes

Valuation reserves related to actuarial gains (losses) on defined benefit plans amounted to Euro -9,859 thousand vs. Euro -10,169 thousand as at the end of 2020, due to the change of measurement in the period.

Section 2 – Own Funds and supervisory requirements for Banks

Reference is made to the information on own funds and capital adequacy contained in the "Basel 3 Third Pillar" disclosure to the public.

PART G – BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

In 2021 no business combinations were made.

PART H – TRANSACTIONS WITH RELATED PARTIES

The closeness of some persons to a company's decision-making centers may compromise the objectivity and impartiality of its decisions, with possible distortions in the allocation of resources, as well as expose the company to risks and damages to itself and to its stakeholders.

This is the matter addressed by CONSOB with its Regulations containing provisions relating to transactions with related parties (adopted by CONSOB with Resolution no. 17221 of 12 March 2010, laying down specific measures for Italian companies listed in Italian regulated markets or in regulated markets of other EU Member States and whose shares are publicly held to a considerable extent, in order to ensure transparency and substantial and procedural fairness of transactions with related parties carried out directly or through subsidiaries.

The regulation issued by the Bank of Italy on 12 December 2011, on risk assets and conflicts of interest with associated persons falls within the scope of the framework regulation concerning related parties (Article 2391- bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders".

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Italia approved the Document "Regulation for Risk Assets and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal normative instrument on this matter and to harmonize the various regulations in force; the Document was then updated on 29 July 2014.

On 25 July 2018, the Board of Directors of Crédit Agricole Italia approved the adoption of the new "Regulation on transactions with Associated Persons", which was then adopted by the other Banks and Companies of the Banking Group.

Afterwards, with resolution no. 21624 of 10 December 2020 CONSOB amended the Regulation on Transactions with Related Parties as issued with its previous resolution no. 17221 of 12 March 2010. As said amendments entered into force on 1 July 2021, the "Regulation on Transactions with Associated Persons" of the Crédit Agricole Italia Group had to be aligned with them; the Regulation on Transactions with Associated Persons defines and formalizes, in a single normative instrument, the procedures that the Banks and the Companies of the Crédit Agricole Italia Banking Group apply to transactions with associated persons, in compliance with the relevant instructions and rules issued by CONSOB and by the Bank of Italy. Credito Valtellinese approved the aforementioned Regulation.

In addition to identifying the related parties and the associated persons of the Crédit Agricole Italia Banking Group, the Regulation on transactions with Associated Persons lays down prudential limits to risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required activities are carried out by different corporate roles and structures, in different capacities and in the different phases of the process, in order to ensure constant compliance with the prudential limits and resolution-making procedures as provided for by the applicable legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests that may result from transactions with associated parties.

Related parties

in accordance with the aforementioned Consob Regulation, a related party is a person or entity that is related to the entity that is preparing its financial statements (“reporting entity). Specifically:

(a) A person or close member of that person’s family is related to a reporting entity if that person:
- Has control or joint control over the reporting entity,
- Has significant influence over the reporting entity; or
- Is a member of the key management personnel of the reporting entity, i.e. the Bank and the supervised intermediary of the Banking Group, or of a parent of the reporting entity;

(b) An entity is related to a reporting entity if any of the following conditions applies:
- The entity and the reporting entity are members of the Crédit Agricole Group;
- The entity is an associate or joint venture of the Bank and/or of the supervised intermediary (or an associate or joint venture of a member of the Crédit Agricole Group);
- Both entities are a joint venture of the same third party;
- It is a joint venture of a third entity that is an associate of bank and of the supervised intermediary;
- It is a post-employment defined benefit plan for the benefit of employees of either the bank and/or supervised intermediary or of an entity that is related to them;
- It is controlled or jointly controlled by a person identified in (a);
- A person identified in (a) that has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In the definition of related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture.

In accordance with the Bank of Italy Provisions:

(c) Corporate Officer;

(d) Shareholder/Investor;

(e) The person, other than a shareholder/investor, that can appoint, on his/her/its own, one or more members of the Board of Directors, also based on any agreements in whatsoever form or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;

(f) A company or an enterprise, also set up in a legal form other than that of a company, on which an entity of the Group can exercise control or significant influence;

Connected Persons

Persons connected to a related party are defined as follows:
- Companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party among those set forth at letters a), b), d) and e) of the definition of related party, as well as companies or enterprises, also set up in a legal form other than that of a company, on which one of the related parties as per letter a) of the definition (i.e. Corporate Officer) can exercise significant influence;
- Persons exercising control on a related party among those listed at letters d) and e) of the relevant definition, as well as entities that are directly or indirectly subject to joint control with the same related party;
- Close family members of one of the related parties set forth in letters c), d), e), and f) of the relevant definition and the companies or enterprises, also set in a legal form other than that of a company, that are controlled, subject to joint control or significant influence by such related party.

Associated Persons

Associated persons are defined as the set consisting of a related party and of all the persons connected to the same. The banks and supervised intermediaries of the Crédit Agricole Group have the same perimeter of Associated Persons, which is determined by the Parent Company.

1. Information on remuneration of managers vested with strategic responsibilities

In the light of the above-mentioned Regulation, "Managers vested with strategic responsibilities" or "Key management personnel" includes individuals having direct and indirect power and responsibility over the planning, management and control of the operations of the Bank, including Directors and the members of control bodies.

The remuneration of Creval's Directors and Members of the Board of Auditors is determined with special resolutions by the General Meeting of Shareholders, while the remuneration of employees in the key staff perimeter is governed by the mechanisms laid down in the "remuneration policies" which are adopted by the General Meeting of Shareholders every year.

The table below reports the amounts of the main benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities for 2021.

	31 Dec. 2021
Short-term benefits:	4,778
Benefits subsequent to severance from employment	127
Other long-term benefits	-
Employee severance benefits	-
Share-based payments	598

2. Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation.

Transactions with related parties	Controlling company	Entities exercising significant influence	Subsidiaries an d/or associates	Associates	Entity under joint control	Managers and Control Bodies	Other related parties	% weight on the financial statement item
BALANCE SHEET ITEMS								
20. Financial assets measured at fair value through profit and loss	-	-	-	-	-	-	227	0.2%
40. Financial assets measured at amortized cost	32,905	2,055	246,002	41,289	-	330	399,606	3.2%
100. Tax assets a) current	-	-	-10	-	-	-	-	N.s.
120. Other assets	37	13	193	3	-	-	54	0.2%
TOTAL ASSETS	**32,942**	**2,068**	**246,185**	**41,292**	**-**	**330**	**399,887**	
10. Financial liabilities measured at amortized cost	121	1,359	1,216	5,611	39	4,503	24,411	0.2%
20. Financial liabilities held for trading	-	-	-	-	-	-	158	41.7%
80. Other liabilities	618	-	8,693	-	-	-	-	2.4%
TOTAL LIABILITIES	**739**	**1,359**	**9,909**	**5,611**	**39**	**4,503**	**24,569**	
Guarantees given	-	-	4,366	583	-	-	10,293	2.6%
commitments	-	-	194,406	137	-	238	21,317	4.3%
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**	**198,772**	**720**	**-**	**238**	**31,610**	

Financial assets measured at amortized cost towards associates include non-performing loans for a gross exposure of Euro 6.5 million (net exposure of Euro 1,3 million).

Transactions with related parties	Controlling company	Entities exercising significant influence	Subsidiaries an d/or associates	Associates	Entity under joint control	Manager and Control Bodies	Oth er related parties	% weight on the financial statement item
INCOME STATEMENT ITEMS								
10. Interest and similar income	14	26	606	704	-	3	633	0.5%
20. Interest expenses and similar income	(5)	-	-	-	-	(5)	(3)	N.s.
40. Fee and commission income	2	39	376	32	-	2	25,904	9.9%
50. Fee and commission expense	-	-	-	(1)	-	(1)	(13)	0.1%
70. Dividends and similar income	-	-	-	1,140	75	-	-	50.8%
80. Net profit (loss) on trading activities	-	-	-	-	-	-	192	13.5%
100. Profit (Loss) on disposal or repurchase	-	142	-	-	-	-	-	-0.9%
160. Administrative expenses a) Personnel expenses	(731)	13	813	10	-	(2,709)	(641)	1.1%
160 Administrative expenses b) other administrative expenses	-	-	-	(15)	-	(5)	(735)	0.5%
200. Other operating expenses/income	-	-	365	67	-	-	147	1.3%
INCOME STATEMENT TOTAL	(720)	220	2,160	1,937	75	(2,715)	25,484	

t is specified that column "Other related parties" includes the transactions with the subsidiaries and associates of Crédit Agricole S.A..

Equity, financial and economic effects of intra-group transactions in Creval sub-consolidation are broken down by entity in the table below.

BREAKDOWN OF TRANSACTIONS WITH THE GROUP COMPANIES (in thousands of Euro)	Stelline Real Estate S.p.A.	Creval Più Factor S.p.A.	Quadrivio SME 2018
BALANCE SHEET ITEMS			
40. Financial assets measured at amortized cost	31,960	164,875	49,167
100. Tax assets a)current	-10	-	-
120. Other assets	-	193	-
TOTAL ASSETS	31,950	165,068	49,167
10. Financial liabilities measured at amortized cost	1,216	-	-
80. Other liabilities	4	2	8,687
TOTAL LIABILITIES	1,220	2	8,687
Guarantees given	4,366	-	-
Commitments	9,278	185,128	-
TOTAL GUARANTEES AND COMMITMENTS	13,644	185,128	-

BREAKDOWN OF TRANSACTIONS WITH THE GROUP COMPANIES (in thousands of Euro)	Stelline Real Estate S.p.A.	Creval Più Factor S.p.A.	Quadrivio SME 2018
INCOME STATEMENT ITEMS			
10. Interest and similar income	322	284	-
40. Fee and commission income	106	163	107
160. Administrative expenses a) personnel expenses	-	813	-
200. Other operating expenses/income	105	260	-
INCOME STATEMENT TOTAL	533	1,520	107

PART I - SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

Having regard to FY 2021, the share capital increase by the French Parent Company Crédit Agricole S.A., in favour of all Employees of the Crédit Agricole. Group was completed in December with the allotment of shares to Employees. The Employees were given the opportunities to invest in shares of Crédit Agricole S.A. with a 20% discount vs. market value. The shares will be tied for the following five years (until 31 May 2026), at the end of which time each employee may freely dispose of them.

Furthermore, for Credito Valtellinese, the incentive systems MBO 2018, 2019 and 2020 were in force as at the reporting date, as was the LTI 2019-2021 system, for which payment will be made in Phantom Shares of the Parent Company Crédit Agricole S.A..

QUANTITATIVE DISCLOSURES

In 2021, the aforementioned share capital increase entailed a cost equal to the discount applied to the shares subscribed, which had – as a balancing item in accordance with IFRS 2 – an identical increase in equity through a specific reserve amounting to Euro 45 thousand.

PART L – SEGMENT REPORTING

Segment reporting is provided at a consolidated level. Please, see Part L of the Notes to to the Consolidated Financial Statements.

PART M – DISCLOSURE OF LEASES

Section 1 – Lessee

QUALITATIVE INFORMATION

IFRS 16 applies to all leases (or agreements containing a lease) that grant the lessee the right to control the use of an identified asset for a specified period of time in exchange for a consideration. The concept of control refers to all those assets that are identifiable (either explicitly or implicitly) within an agreement for which the lessee has the right to control the assets, or to obtain substantially all economic benefits from the use of the assets and to decide on their use.

The following categories fall into this case: a) properties: b) cars and c) other types, which include rental contracts of IT equipment and data centers. In general terms, property lease agreements mainly refer to buildings intended for use as bank offices or branches and normally have a term of more than 12 months and provide for renewal and/or purchase options; car leases, refer to the car fleet and typically have a multi-year term without the exercise of renewal and/or purchase options, while lease agreements for data centers provide for renewal options only.

Software rental contracts are excluded from the scope of application of IFRS 16 and that continue to be accounted for in accordance with the provisions of IAS 38 . Lease agreements with a lease term less than or equal to 12 months (i.e. short term) as well as agreements whose replacement value of the underlying asset is less than or equal to Euro 5,000 (i.e. low value assets) were also excluded.

Lease term

The Standard requires the lessee to determine the lease term by reference to the non-cancellable term of the lease, plus a) the periods covered by an option to extend the lease, if the lessee has reasonable certainty of exercising the option; and b) the periods covered by the termination option, if the lessee has reasonable certainty of not exercising the option.

The lease term has been defined as a non-cancellable period to which the periods covered by a renewal option or the periods covered by a termination option are added on the basis of the reasonable certainty of exercising these options. Specifically: i) if the agreement is in the period that cannot be modified, and there is no evidence to assume the exercise of a termination option, the lease term is identified at the end of the first renewal option (if provided for by contract) on the basis of the reasonable certainty of exercising it; ii) where the agreement is already in a renewal period and there is no evidence to suggest that a termination option is being exercised, the lease term will be identified at the end of the existing renewal option or at the end of the subsequent renewal option on the basis of the reasonable certainty of exercising it; iii) in the event of formalised notice of termination of the agreement, or reasonable certainty that the agreement termination option will be exercised, the lease term will coincide with the effective date of the actual termination.

QUANTITATIVE DISCLOSURES

Please refer to Part B - Assets for information on rights of use acquired through leases, Part B - Liabilities for information on lease liabilities, Part C for information on interest expenses on lease liabilities and other charges related to rights of use acquired through leases.

Section 2 – Lessor

QUALITATIVE INFORMATION

As at the reporting date, the Bank had both finance lease and operating lease contracts in force. With regard to finance lease contracts, the Bank no longer proposes the signing of new finance lease contracts following the decision to place exclusively third-party products.

QUANTITATIVE DISCLOSURES

1. BALANCE SHEET AND INCOME STATEMENT INFORMATION

Please refer to Part B - Assets for information on lease financing and assets leased out under operating lease and Part C for information on interest income on lease loans and on other income from finance and operating leases.

2. FINANCE LEASES

2.1 Classification by time bands of payments to be received and reconciliation with lease loans recognized under assets

Time bands	31 Dec. 2021 Lease payments to be received	31 Dec. 2020 Lease payments to be received
Up to 1 year	39,827	51,895
From over 1 year to 2 years	32,080	38,379
From over 2 year to 3 years	29,093	35,067
From over 3 year to 4 years	26,342	32,378
From over 4 year to 5 years	26,973	28,392
From over 5 years	126,746	152,386
Total lease payments to be received	**281,061**	**338,497**
RECONCILIATION WITH LOANS		
Unearned financial income (-)	-22,759	-22,134
Unguaranteed residual value (-)	-	-
Loans for leases	**258,303**	**316,363**

The lease contracts mainly consist of property leasing agreements and have the following characteristics:

- All the risks and rewards related to ownership of the goods are transferred to the lessee;
- During the useful life of the contract, the lessee will make regular payments that may vary in accordance with indexing clauses;
- Upon expiry/termination of the contract, the lessee will have the option to purchase ownership of the goods governed by the contract at a price less than the fair value at the date that the option could be exercised, so it is reasonably certain that the option will be exercised.

Since legal ownership of the goods is held by the lessor for the entire duration of the contract, the goods themselves represent the implicit guarantee securing the exposure to the lessee.

3. OPERATING LEASES

3.1 Classification of payments to be received by time band

Time bands	31 Dec. 2021 Lease payments to be received	31 Dec. 2020 Lease payments to be received
Up to 1 year	2,167	3,058
From over 1 year to 2 years	2,149	2,921
From over 2 year to 3 years	2,138	2,901
From over 3 year to 4 years	2,093	2,840
From over 4 year to 5 years	1,948	2,778
From over 5 years	7,759	14,802
Total	**18,254**	**29,300**

Operating leases mainly refer to lease rentals on properties.

FINANCIAL STATEMENTS OF THE PARENT COMPANY CRÉDIT AGRICOLE ITALIA

Disclosure pursuant to Article 2497-bis of the Italian Civil Code. The data re summarized in thousands of Euros.

BALANCE SHEET – ASSETS

Assets	31 Dec. 2020	31 Dec. 2019
10. Cash and cash equivalents	313,267,087	326,278,580
20. Financial assets measured at fair value through profit or loss	107,803,628	91,654,058
a) financial assets held for trading;	71,125,590	82,054,608
c) other financial assets mandatorily measured at fair value	36,678,038	9,599,450
30. Financial assets measured at fair value through other comprehensive income	2,954,732,162	2,720,418,724
40. Financial assets measured at amortized cost	61,344,579,043	50,981,630,730
a) due from banks	11,055,537,987	7,522,014,029
b) Loans to customers	50,289,041,056	43,459,616,701
50. Hedging derivatives	943,109,339	668,305,904
60. Fair value change of financial assets in macro-hedge portfolios (+/-)	112,621,231	97,608,780
70. Equity investments	1,078,485,794	1,074,437,875
80. Property, Plant and Equipment	766,812,916	818,422,349
90. Intangible assets	1,163,103,116	1,187,930,605
- of which goodwill	1,042,597,768	1,042,597,768
100. Tax assets	1,278,122,645	1,318,990,234
a) current	281,937,502	258,991,565
b) deferred	996,185,143	1,059,998,669
110. Non-current assets held for sale and discontinued operations	5,207,320	-
120. Other assets	246,847,367	327,129,108
Total assets	**70,314,691,648**	**59,612,806,947**

BALANCE SHEET - LIABILITIES

Liabilities and Equity	31 Dec. 2020	31 Dec. 2019
10. Financial liabilities measured at amortized cost	61,053,271,988	50,807,795,393
a) Due to banks	12,940,954,509	7,238,314,243
b) Due to Customers	37,527,841,314	34,552,965,281
c) Debt securities issued	10,584,476,165	9,016,515,869
20. Financial liabilities held for trading	81,546,462	65,641,619
40. Hedging derivatives	705,939,342	415,394,579
50. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	386,252,935	341,807,309
60. Tax liabilities	187,773,762	222,271,673
a) current	106,283,019	152,923,870
b) deferred	81,490,743	69,347,803
80. Other liabilities	1,018,449,681	961,694,267
90. Employee severance benefits	92,002,367	96,810,797
100. Provisions for risks and charges	274,203,229	312,246,262
a) commitments and guarantees given	25,327,625	27,209,936
b) post-employment and similar obligations	35,815,686	37,325,416
c) other provisions for risks and charges	213,059,918	247,710,910
110. Valuation reserves	-33,784,159	-44,789,696
130. Equity instruments	715,000,000	715,000,000
140. Reserves	1,568,205,841	1,318,749,655
150. Share premium reserve	3,118,389,293	3,118,380,883
160. Capital	979,234,664	979,233,295
180. Profit (Loss) for the period	168,206,243	302,570,911
Total liabilities and equity	**70,314,691,648**	**59,612,806,947**

INCOME STATEMENT

Items	31 Dec. 2020	31 Dec. 2019
10. Interest and similar income	749,090,356	766,602,682
Of which: interest income calculated with the effective interest method	745,976,837	763,314,320
20. Interest and similar expense	35,377,908	41,954,740
30. Net interest income	**784,468,264**	**808,557,422**
40. Fee and commission income	779,935,042	809,911,917
50. Fee and commission expense	(36,387,750)	(38,672,402)
60. Net fee and commission income	**743,547,292**	**771,239,515**
70. Dividends and similar income	10,437,607	55,404,217
80. Net profit (loss) on trading activities	16,722,845	12,636,334
90. Net profit (loss) on hedging activities	(10,401,644)	(8,788,082)
100. Profit (losses) on disposal or repurchase of:	(11,971,881)	(8,817,468)
a) financial assets measured at amortized cost	(10,202,717)	(11,551,443)
b) financial assets measured at fair value through other comprehensive income	(1,821,396)	2,876,432
c) financial liabilities	52,232	(142,457)
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(486,658)	(133,818)
b) other financial assets mandatorily measured at fair value	(486,658)	(133,818)
120. Net interest and other banking income	**1,532,315,825**	**1,630,098,120**
130. Net losses/recoveries for credit risk on:	(337,364,739)	(183,654,168)
a) financial assets measured at amortized cost	(336,384,226)	(182,663,133)
b) financial assets measured at fair value through other comprehensive income	(980,513)	(991,035)
140. Profits/Losses on contract modifications without derecognition	(1,310,100)	(3,226,344)
150. Net financial income (loss)	**1,193,640,986**	**1,443,217,608**
160 Administrative expenses	(1,211,400,226)	(1,208,185,932)
a) personnel expenses	(554,771,000)	(567,939,663)
b) other administrative expenses	(656,629,226)	(640,246,269)
170. Net provisioning for risks and charges	(5,899,363)	(4,962,462)
a) commitments and guarantees given	1,602,199	3,207,138
b) other net provisions	(7,501,562)	(8,169,600)
180. Net impairment losses/recoveries on property, plant and equipment	(58,260,207)	(56,294,918)
190. Net adjustments to//recoveries on intangible assets	(24,827,489)	(24,935,406)
200. Other operating expenses/income	250,266,341	247,441,940
210. Operating costs	**(1,050,120,944)**	**(1,046,936,778)**
220. Profit (losses) on equity investments	9,640,007	12,796,223
250. Profit (losses) on disposals of investments	64,725,614	261,127
260. Profit (Loss) before tax from continuing operations	**217,885,663**	**409,338,180**
270. Taxes on income from continuing operations	(49,679,420)	(106,767,269)
280. Profit (Loss) after tax from continuing operations	**168,206,243**	**302,570,911**
300. Profit (Loss) for the period	**168,206,243**	**302,570,911**

DISCLOSURE OF PUBLIC FUNDING

Transparency of public funding was introduced and is governed by Article 1, paragraphs 125- 129, of Italian Law no. 124/2017, which had raised many interpretation and application problems. The concerns expressed by the trade associations (including Assonime) were to a large extent solved by Article 35 of Italian Decree Law no. 34/2019 (known as Growth Decree), which clarified many important questions pursuing streamlining and rationalization of the applicable legislation.

The Law establishes the obligation to disclose, in the notes to the financial statements as at 31 December 2019 – and, where applicable, in the notes to the consolidated financial statements – the amounts of and other information on “grants, subsidies, advantages, contributions or aids, in money of in kind, not given in general and other than considerations, remuneration or compensations, received from public administration bodies and other identified entities” (hereinafter for short “public funding”).

Noncompliance with these obligations is punished with a civil fine equal to 1% of the received amounts, with a minimum fine of Euro 2,000 and the ancillary penalty of complying with the disclosure obligation. If the offender does not comply with the set disclosure obligation and does not pay the fine within 90 days of its imposition, it shall be required to return the all the amounts received to the entities that granted them.

In order to prevent accumulation of non-relevant information, the Euro 10,000 threshold has been kept, below which the recipient is not required to disclose any information on the received public funding.

Furthermore, in August 2017 the Italian national State Aid Registry was set up at the Directorate-general for business incentive at the Italian Ministry of Economic Development, where all State aids and small amount aids to businesses shall be entered by those that give or manage such aids.

For the aids to Credito Valtellinese, please refer to the “Registry Transparency” section, which is publicly available.

ANNEXES

OWNED PROPERTY SUBJECT TO REVALUATION PURSUANT TO SPECIAL LAWS

List of owned property items that have been revaluated and are still recognized by Credito Valtellinese, setting forth the revaluation amount pursuant to Article 10 of Italian Law No. 72 of 19 March 1983.

OWNED PROPERTIES		RIV. L. No. 74	RIV. L. n.823	RIV. L. 2.12.75 n.576	RIV. L. 19.3.83 n. 72	RIV. L. 29.12.90 n. 408	RIV. L. 30.12.91 n. 413	RIV. L. 21.11.00 n. 342	RIV. L.23.12.2005 n. 266	CARRYNG AMOUNT 2021(*)
ACI CASTELLO	Via Re Martino 171				31,000		82,000		717,122	638,668
ACI CATENA	Piano Umberto I 24				21,000		146,000		346,538	505,801
ACIREALE	Via Sclafani 40								308,547	7,920,000
ACIREALE	Piazza Duomo 12			51,000	516,000		1,523,000		4,664,405	5,350,000
ACIREALE	Via Salvatore Vigo 49								662,861	731,283
AGLIENTU	terreno								10,496	79,433
AGRATE BRIANZA	Via Foscolo 50				25,823		215,619		981,859	894,478
APRICA	Via Roma 144			41,317	275,751		156,051		1,889,692	1,832,914
ARDENNO	Via Libertà				106,063		44,379		398,275	360,522
BERBENNO	Via Adua				41,127		42,774		283,278	313,302
BIRONE DI GIUSSANO	Via Catalani 11						362,922		555,888	455,076
BOMPENSIERE	Via Principe Pietro Lanzo 98						16,308		8,512	12,090
BORMIO	Via Roma 93			61,975	1,456,667		485,727		3,054,790	3,746,277
BORMIO	Via dei Molini				32,768		3,881		515,960	575,502
BRESCIA	Via Dalmazia 147								87,712	1,230,000
BRESSO	Via Mattei 8								8,949	5,418
BULCIAGO	Via D, Alighieri 17								93,278	266,727
CALATAFIMI	Piazza Duca degli Abruzzi 4					254,187			44,102	264,350
CALTAGIRONE	Piazza Risorgimento. 4			20,560	534,868		529,785		4,092,585	1,520,000
CALTANISSETTA	Viale della Regione 56				49,282		193,641		371,906	726,681
CAMPODOLCINO	Via Corti 3				194,446		64,814		554,645	610,000
CANNIZZARO	Via Firenze 122						37,000		901,173	604,120
CASPOGGIO	Via Vanoni 39						263,229		762,976	770,000
CASSINO	Via Casilina Sud. 16								1,140,229	840,000
CATANIA	Corso Italia 161				516,000		1,218,000		1,290,818	3,620,000
CATANIA	Piazza Mazzini 23								143,931	325,133
CHIAVENNA	Via Pedretti 5				234,134		444,452		2,678,104	2,170,000
CHIURO	Via IV Novembre 1						117,650		708,537	626,232
COLOGNO MONZESE	Piazza XI Febbraio 16			23,617	67,139		161,867		391,668	685,115
COLOGNO MONZESE	Viale Europa 29/31						346,901		856,894	742,182
COMO	Via Sant'Elia 3								567,151	1,980,000
COMO	Via Virgilio 1								15,805	142,761
COSIO VALTELLINO	Via Roma 54						81,388		369,776	432,832
DELEBIO	S.S. dello Stelvio 23						157,029		796,600	840,000
DUBINO	Via Indipendenza 10								23,890	39,933
ENNA	Piazza Antonio Scelfo 8						48,959		12,466	341,532
ERBA	Via Adua 2/I								59,039	556,549
FICARAZZI	Via Tripoli 158						134,000		457,508	336,543
FIUMEFREDDO	Via Umberto 120				41,000		46,000		457,032	364,056
FLORESTA	Via Umberto I 103								12,449	11,199

OWNED PROPERTIES		RIV. L. No. 74	RIV. L. n.823	RIV. L. 2.12.75 n.576	RIV. L. 19.3.83 n. 72	RIV. L. 29.12.90 n. 408	RIV. L. 30.12.91 n. 413	RIV. L. 21.11.00 n. 342	RIV. L.23.12.2005 n. 266	CARRYNG AMOUNT 2021(*)
FONTANA LIRI	Corso Trieste 4				83,618		56,410		248,099	66,801
FROSINONE	Piazzale De Matthaeis						467,102		1,023,189	888,930
FROSINONE	terreno									4,000
GIARRE	Piazza Duomo 9				41,000		240,000		694,645	810,000
GROSIO	Via Roma 38				200,903		144,288		489,341	591,370
GROSOTTO	S.S. dello Stelvio 85						44,055		212,276	169,785
GUARDIA	Via Nazionale 196						184,000		400,700	343,517
LANZADA	Piazza del Magnan 114				86,610		50,132		399,786	280,541
LECCO	Via Parini 21						535,460		1,449,775	3,862,021
LISSONE	Via Martiri della Libertà 263								229,501	306,431
LIVIGNO	Plaza dal Comun 45			41,317	718,885		365,456		3,063,975	3,915,847
MADESIMO	Piazza Bertacchi								65,391	193,275
MILANO	Via Cenisio 30						124,827		577,314	719,069
MILANO	Via Ornato 10								87,071	470,000
MILANO	C.so Magenta 59						188,260		956,856	-
MILANO	Via Feltre 75				3,517,071		5,846,835		11,687,422	27,310,000
MONTEFIASCONE	Via Cardinal Salotti snc								120,054	1,200,000
MONTEFIASCONE	Via Indipendenza 4				111,954			273,406	249,958	477,282
MONZA	Via Zucchi 16			29,558	169,220		270,304		2,687,797	3,395,783
MONZA	Via Cavallotti 100			12,607	30,987		79,196		488,906	604,321
MORBEGNO	Via Ambrosetti 2			25,823			371,865		2,180,694	1,320,000
MUSSOMELI	Via Nazionale 196			24,191	25,995		68,770		193,108	150,130
NUOVA OLONIO	Via Valeriana 240						197,973		776,634	850,000
OSNAGO	Via Tessitura 1								75,618	292,854
PALERMO	Via Siracusa 1/E				464,970		338,286		2,630,943	2,902,811
PALERMO	Viale Strasburgo 195/E						283,736		603,019	725,299
PALERMO	Piazza Verdi 58				1,052,192		580,976		2,047,677	3,280,000
PALERMO	Via Carbone 143								149,467	123,859
PASTURO	Viale Trieste 56						69,690		281,230	463,562
PIEDIMONTE ETNEO	Corso Vittorio Emanuele II 54						14,000		198,322	151,285
PIEDIMONTE SAN GERMANO	Via Risorgimento 27			19,724	39,937		84,635		300,568	205,209
POSTA FIBRENO	Via Ospedale 6								38,239	63,223
RHO	Via Mascagni 1								647,147	1,120,000
ROMA	Via L. da Vinci 185								374,036	707,663
ROMA	Via Conciliazione 19				258,228		980,544		3,642,583	3,082,105
S. CATERINA VALFURVA	Via Magliaga 4				27,636		15,787		197,482	112,082
S. GIACOMO TEGLIO	Via Nazionale 138						16,646		44,184	126,329
S. NICOLO' VALFURVA	Piazza Frodaglio						52,621		618,598	409,894
SAN CATALDO	Piazza Repubblica 1						139,780		187,887	162,382
SEGRATE	Via Ottava Strada						6,136		36,560	19,510
SIRACUSA	Via Brenta 5						36,000		619,045	648,234
SIRACUSA	Viale Polibio 26/B								190,678	516,773
SIRONE	Via Mazzini 14								63,103	148,111
SONDALO	Via Zubiani 12			25,823	195,115		81,092		354,231	509,358
SONDRIO	Via XXV Aprile 1	31,452	51,646	103,291	2,252,894		1,023,723		6,998,160	6,720,000

OWNED PROPERTIES		RIV. L. No. 74	RIV. L. n.823	RIV. L. 2.12.75 n.576	RIV. L. 19.3.83 n. 72	RIV. L. 29.12.90 n. 408	RIV. L. 30.12.91 n. 413	RIV. L. 21.11.00 n. 342	RIV. L.23.12.2005 n. 266	CARRYNG AMOUNT 2021(*)
SONDRIO	Via Aldo Moro 14/A				229,896		176,183		1,094,990	747,977
SONDRIO	Largo Sindelfingen 5						261,829		588,181	177,745
SONDRIO	Via Stelvio 12/A								351,956	843,002
SONDRIO	Piazza Quadrivio 8						1,026,154		9,809,978	9,690,000
SONDRIO	Via Caimi 57						924,923		4,737,887	4,570,000
SONDRIO	Via Gianoli 18						24,568		330,921	602,142
SONDRIO	Via Cesura 14 - ang, Via Martiri della Libertà								239,151	2,270,000
SONDRIO	Albergo Posta - Piazza Garibaldi 19			103,291	1,533,114		492,841		4,845,768	6,140,000
SONDRIO	Via Trento 22 - P, Valgoi						651,811		3,917,503	3,680,000
SONDRIO	Via Mazzini						2,998		80,774	47,127
SONDRIO	Piazza Garibaldi	3,099		77,469	431,242		171,765		2,108,564	1,750,000
SONDRIO	Via Cesura 3 - Via Pergole 14			75,403	2,084,617		110,687		1,561,741	904,301
SORA	Via S, Domenico 44			78,360	98,004		257,583		328,463	392,235
TALAMONA	Piazza IV Novembre 23								56,767	217,466
TERME VIGLIATORE	P,zza Municipio 2								100,753	159,591
TERMINI IMERESE	Corso Umberto e Margherita 84								382,888	295,767
TIRANO	Piazza Marinoni				624,606		444,062		2,610,301	2,080,000
TRAPANI	Piazza Umberto I 45						324,590		606,102	940,000
TREMESTIERI ETNEO	Via Novaluce 30/A						100,000		519,185	670,805
TRESIVIO	Via Lago 33						252,028		870,106	1,070,856
VARESE	Via Magenta 5/7				206,583		1,375,715		2,845,172	2,307,675
VIGNATE	Via Roma 2			10,967	36,152		62,115		301,165	294,877
VILLA DI TIRANO	Via Roma 20						2,116		102,231	121,813
VIMODRONE	Strada Padana 97			18,194	68,170		117,578		696,768	525,800
VITERBO	Grotte S, Stefano - Via della Stazione 121 a							80,474	111,110	140,382
VITERBO	Viale Diaz 52 -54								327,480	288,099
XITTA (TP)	Via Nuova 15/17								4,989	6,354
TOTAL		34,551	51,646	844,487	18,732,667	254,187	26,661,508	353,880	119,409,609	154,820,370

(*) The total value of the properties listed in this table is the sum of land and buildings.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED UP TO 31 DECEMBER 2021

List of International Accounting Standards whose coordinated text has been adopted with Commission Regulation (EC) No. 1126/2008 of 3 November 2008 Said Regulation was published in the Official Journal of the European Union issue No. L320 of 29 November 2008 and amending Commission Regulation (EC) No. 1725/2003.

The number and date of the EC Regulations endorsing the subsequent amendments and supplements are given next to the relevant item.

List of IASs/ IFRSs		Endorsing EU Regulation
IFRS 1	First-time adoption of International Financial Reporting Standards	1126/2008 mod, 1260/2008 - 1274/2008 - 69/2009 - 70/2009 -254/2009 - 494/2009 - 495/2009 -1136/2009 - 1164/2009 - 550/2010 - 574/2010 - 662/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 183/2013 - 301/2013 - 313/2013 - 1174/2013 – 2015/2173 - 2015/2343 - 2015/2441 – 2016/1905 – 2016/2067 – 2017/1986 - 2018/182 - 2018/519 - 2018/1595
IFRS 2	Share-based payments	1126/2008 mod, 1261/2008 - 495/2009 - 243/2010 -244/2010 - 1254/2012 - 1255/2012 - 2015/28 – 2016/2067 – 2018/289 – 2019/2075
IFRS 3	Business Combinations	1126/2008 mod, 495/2009 - 149/2011 - 1254/2012 - 1255/2012 - 1174/2013 - 1361/2014 - 2015/28 – 2016/1905 – 2016/2067 - 2017/1986 - 2019/412 – 2019/2075 – 2020/551
IFRS 4	Insurance contracts	1126/2008 mod, 1274/2008 - 494/2009 - 1165/2009 - 1255/2012 – 2016/1905 – 2016/2067 – 2017/1986 - 2017/1988 - 2020/2097 - 2021/25
IFRS 5	Attività non correnti possedute per la vendita e attività operative cessate	1126/2008 mod, 1274/2008 - 70/2009 - 494/2009 - 1142/2009 - 243/2010 - 475/2012 - 1254/2012 - 1255/2012 - 2015/2343 – 2016/2067
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008 - 2019/2075
IFRS 7	Financial Instruments: disclosures	1126/2008 mod, 1274/2008 - 53/2009 - 70/2009 - 495/2009 - 824/2009 - 1165/2009 - 574/2010 - 149/2011- 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012 - 1174/2013 - 2015/2343 - 2015/2406 – 2016/2067 - 2017/1986 – 2020/34 - 2021/25
IFRS 8	Operating Segments	1126/2008 mod, 1274/2008 - 243/2010 - 632/2010 - 475/2012 - 2015/28
IFRS 9	Deposited financial Instruments	2016/2067- 2017/1986 - 2018/498 - 2020/34 - 2021/25
IFRS 10	Consolidated Financial Statements	1254/2012 mod, 313/2013 - 1174/2013 - 2016/1703
IFRS 11	Joint Arrangements	1254/2012 mod, 313/2013 - 2015/2173 – 412/2019
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 mod, 313/2013 - 1174/2013 - 2016/1703 – 2018/182
IFRS 13	Fair Value Measurement	1255/2012 mod, 1361/2014 – 2016/2067 - 2017/1986
IFRS 15	Revenue from Contracts with Customers	2016/1905 – 2017/1986 - 2017/1987
IFRS 16	Leasing	2017/1986 – 2020/1434 - 2021/25 - 2021/1421
IFRS 17	Insurance Contracts	2036/2021
IAS 1	Presentation of Financial Statements	1126/2008 mod, 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 301/2013 - 2015/2113 -2015/2406 – 2016/1905 – 2016/2067 - 2017/1986 – 2019/2075 - 2019/2104
IAS 2	Inventories	1126/2008 mod, 70/2009 - 1255/2012 – 2016/1905 – 2016/2067 - 2017/1986
IAS 7	Statement of Cash Flows	1126/2008 mod, 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010 - 1254/2012 - 1174/2013 – 2017/1986 - 2017/1990

List of IASs/ IFRSs		Endorsing EU Regulation
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 mod, 1274/2008 - 70/2009 - 1255/2012 – 2016/2067 – 2019/2075 - 2019/2104
IAS 10	Events after the Reporting Period	1126/2008 mod, 1274/2008 - 70/2009 - 1142/2009 - 1255/2012 – 2016/2067
IAS 12	Income Taxes	1126/2008 mod, 1274/2008 - 495/2009 - 475/2012- 1254/2012 - 1255/2012 - 1174/2013 – 2016/1905 – 2016/2067 - 2017/1986 - 2017/1989 -2019/412
IAS 16	Property, Plant and Equipment	1126/2008 mod, 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 1255/2012 - 301/2013 - 2015/28 - 2015/2113 - 2015/2231 – 2016/1905 - 2017/1986
IAS 19	Employee Benefits	1126/2008 mod, 1274/2008 - 70/2009 - 475/2012 - 1255/2012 - 2015/29 - 2015/2343 - 2019/402
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 mod, 1274/2008 - 70/2009 - 475/2012 - 1255/2012 – 2016/2067
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 mod, 1274/2008 - 69/2009 - 494/2009 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 – 2016/2067 - 2017/1986
IAS 23	Borrowing Costs	1126/2008 mod, 1260/2008 - 70/2009 - 2015/2113 – 2016/2067 - 2017/1986 - 2019/412
IAS 24	Related Party Disclosures	1126/2008 mod,1274/2008 - 632/2010 - 475/2012 - 1254/2012 - 1174/2013 - 2015/28
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Separate Financial Statement	1126/2008 mod, 1274/2008 - 69/2009 -70/2009 - 494/2009 - 1254/2012 - 1174/2013 - 2015/2441
IAS 28	Investments in Associates and Joint Ventures	1126/2008 mod, 1274/2008 - 70/2009 - 494/2009 - 495/2009 - 149/2011 - 1254/2012 - 1255/2012 -2015/2441 - 2016/1703 – 2016/2067 – 2018/182 - 2019/237
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 mod, 1274/2008 - 70/2009
IAS 32	Financial Instruments: Presentation	1126/2008 mod, 1274/2008 - 53/2009- 70/2009- 494/2009 - 495/2009 - 1293/2009 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012- 301/2013 - 1174/2013 – 2016/1905 – 2016/2067 - 2017/1986
IAS 33	Earnings per share	1126/2008 mod, 1274/2008 - 494/2009 - 495/2009 - 475/2012 - 1254/2012 - 1255/2012 – 2016/2067
IAS 34	Interim Financial Reporting	1126/2008 mod,1274/2008 - 70/2009 - 495/2009 - 149/2011 - 475/2012 - 1255/2012 - 301/2013 - 1174/2013 - 2015/2343 - 2015/2406 – 2016/1905 – 2019/2075
IAS 36	Impairment of assets	1126/2008 mod, 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 1374/2013 - 2015/2113 – 2016/1905 – 2016/2067
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 mod, 1274/2008 - 495/2009 - 2015/28 – 2016/1905 – 2016/2067 - 2017/1986 – 2019/2075
IAS 38	Intangible Assets	1126/2008 mod, 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 2015/28 - 2015/2231 – 2016/1905 - 2017/1986 – 2019/2075
IAS 39	Financial instruments: Recognition and Measurement (except for some provisions concerning hedge accounting)	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 495/2009 – 824/2009 – 839/2009 – 1171/2009 – 243/2010 – 149/2011- 1375/2013 – 1174/2013 – 34/2020 – 25/2021
IAS 40	Investment Property	1126/2008 mod, 1274/2008 - 70/2009 - 1255/2012 - 1361/2014 - 2015/2113 – 2016/1905 – 2017/1986 - 2018/400
IAS 41	Agriculture	1126/2008 mod, 1274/2008 - 70/2009 - 1255/2012 - 2015/2113 - 2017/1986

List of IASs/ IFRSs		Endorsing EU Regulation
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008 mod, 1260/2008 - 1274/2008 - 2017/1986
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	1126/2008 mod, 53/2009 - 1255/2012 - 301/2013 – 2016/2067
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 mod, 1254/2012 - 2016/2067
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29. Financial Reporting in Hyperinflationary Economies	1126/2008 mod, 1274/2008
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008 mod, 1274/2008 – 2016/2067
IFRIC 12	Service Concession Arrangements	254/2009 – 2016/1905 -2016/2067 - 2017/1986 – 2019/2075
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 mod, 1274/2008 - 633/2010 - 475/2012
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009 mod, 243/2010 - 1254/2012 – 2016/2067
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009 mod, 1254/2012 - 1255/2012
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010 mod, 1255/2012 – 2016/2067 – 2019/2075
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012 – 2019/2075
IFRIC 21	Levies	634/2014
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2018/519 – 2019/2075
IFRIC 23	Uncertainty over Income Tax Treatments	1595/2018
SIC 7	Introduction of the Euro	1126/2008 mod, 1274/2008 - 494/2009
SIC 10	Government Assistance – No Specific Relation to Operating Activities	1126/2008 mod, 1274/2008
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1126/2008 mod, 1274/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 mod, 1274/2008 - 254/2009 - 2017/1986
SIC 32	Intangible Assets – Website Costs	1126/2008 mod, 1274/2008 – 2016/1905 - 2017/1986 – 2019/2075

Source EFRAG - The EU endorsement process - Position as at 1 February 2022.

SHAREHOLDERS' EQUITY: POSSIBILITY OF USE AND DISTRIBUTABILITY (UNDER ARTICLE 2427, PARAGRAPH 7-BIS)

Amounts in thousands of Euros	Amount as at 31 Dec. 2021		Possibility o fuse (*)	Distributable portion	Summary of uses made in the last three FYs	
					To cover losses	Other uses
Capital (**)		**1,643,508**			**-273,275**	
Share premium reserve		**-**			**-638,667**	
Treasury shares		**-**				
Reserves		**85,521**				
Legal reserve	5,012		B[1]	5,012	-3,807	
Extraordinary reserve	79,114		A. B. C[2]	79,114	-356	
Distributable reserve pursuant to Art. 2 Italian legislative Decree 38/2005	8,480		A. B. C	8,480	-46,127	
Undistributable reserve pursuant to Art. 6 paragraphs 2 and 4 of Italian Legislative Decree 38/2005	615		B	615		
Positive absorption differences	-				-397	
Other reserves	-7,700				-1,169	
Valuation reserves		**-3,575**				
Financial assets measured at fair value through other comprehensive income	-5,403					
Actuarial losses relating to defined-benefit pension plans	-9,859					
Property, plant and equipment –Art heritage	11,687		(3)			
Profit (loss) for the FY		**-231,185**				
TOTAL		**1,494,269**		**93,221**	**-963,798**	

(*) A = for share capital increase B = to cover losses; C =for distribution to shareholders.

(**) This item reports amounts under tax suspension of Euro 117,958 thousand (art. 109 para. 4 of the Italian Consolidated Act on Income Taxes.).

(1) Under Article 2431 of the Italian Civil Code the reserve may be distributed only as to its portion exceeding the required amount in order for the legal reserve to be equal to one fifth of the share capital. As at 31 December 2021 the legal reserve was not equal to one fifth of the share capital.

(2) The usable amount will decrease to Euro 66,114 thousand subsequent to the resolution adopted by the extraordinary General Meeting of Shareholders on 8 March 2022 which approved the partial demerger (leasing business unit) of Creval with the BU transfer to Crédit Agricole Leasing Italia S.r.l..

(3) Undistributable reserve pursuant to Article.6 paragraph 1 letter b) of Italian Legislative Decree no. 38/2005.

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND NON-AUDIT SERVICES PURSUANT TO CONSOB ISSUER REGULATION AT ARTICLE 149 DUODECIES

In accordance with Article 149-duodecies of CONSOB Issuer Regulation, the table below reports the information on the fees due to the independent audit firm Pricewaterhou- seCoopers S.p.A., Reconta Ernst&Young S.p.A, and Kpmg S.p.A., and to other companies in their network, for the following services:

1. Audit services that include:
   - The audit of the annual financial statements in order for the independent auditors to express their professional judgment;
   - The audit of interim financial statements;
2. Certification services comprising engagements in order for the auditor to assess a specific element, which is to be determined by someone else who is responsible for it, applying appropriate criteria in order to express a conclusion giving the addressee a degree of assurance about that specific element;
3. Tax advisory services;
4. Other services consisting of engagements of a residual nature.

The fees disclosed in the table, referring to 2021, are those provided for by the relevant contracts, including any index-linking (VAT and out-of-pocket expenses are excluded).

FEES FOR:	PWC	EY	KPMG	Total
Audit of the accounts	480			480
Certification services	39			39
Other services	20	6	173	199
Total	**539**	**6**	**173**	**718**

LIST OF BRANCHES AND LOCAL HUBS

Municipality	Address	Post Code	Province	Phone
ABBIATEGRASSO	VIA TICINO 1	20081	MI	0221052301
ACI CASTELLO	VIA FIRENZE 122	95020	CT	0957125405
ACI CASTELLO	VIA TRIPOLI 158	95020	CT	095279263
ACI CASTELLO	VIA RE MARTINO 171	95021	CT	0957373011
ACI CASTELLO	VIA PROVINCIALE 222/224	95026	CT	095600750
ACI CATENA	PIANO UMBERTO 24	95022	CT	0957646020
ACI SANT'ANTONIO	VIA REGINA MARGHERITA 24	95025	CT	0957891204
ACIREALE	PIAZZA DUOMO 12	95024	CT	095600245
ACIREALE	VIA LOMBARDIA 75	95024	CT	095891577
ACIREALE	TRAVERSA VIA SCLAFANI 40/B	95024	CT	095600425
ACIREALE	VIA S. VIGO 49	95024	CT	095600334
ACIREALE	VIA NAZIONALE 196	95020	CT	095809012
ADRO	VIA PADANIA 1	25030	BS	0307450945
AGIRA	C,DA MANDRE BIANCHE C/O SICILY OUTLET VILLAGE	94011	EN	09351986902
AGRATE BRIANZA	VIA UGO FOSCOLO 50	20864	MB	0399718610
AGRIGENTO	VIA IMERA 19	92100	AG	0922461001
ALBAVILLA	VIA VOLTA 11	22031	CO	0313353113
ALBIGNASEGO	VIA ROMA 106/B	35020	PD	0497393050
ALCAMO	VIALE ITALIA 62-64	91011	TP	0924500021
ALESSANDRIA	P,LE GUGLIELMO MARCONI - ANG. VIA GIORGIO MERULA	15100	AL	01311850901
ANCONA	CORSO STAMIRA 44	60122	AN	0719951600
ANCONA	PIAZZA U, BASSI 13/A	60122	AN	07182444
AOSTA	VIA GRAMSCI S.N.C. - ANG. VIA B, FESTAZ	11100	AO	0165065800
APPIANO GENTILE	VIALE ITALIA 2	22070	CO	031970423
APRICA	VIA ROMA 144	23031	SO	0342748014
ARCORE	VIA UMBERTO I 26	20862	MB	0396180466
ARDENNO	VIA LIBERTA' 1	23011	SO	0342660306
ARESE	VIA MATTEOTTI 10	20020	MI	0221052611
ARZIGNANO	VIA QUATTRO MARTIRI 96	36071	VI	0444238651
AUGUSTA	VIA CRISTOFORO COLOMBO N. 23	96011	SR	0931521621
BAGHERIA	VIA NINO BIXIO 31 ANG. VIA MATTARELLA	90011	PA	091901652
BARCELLONA POZZO DI GOTTO	VIA REGINA MARGHERITA 72	98051	ME	0909703711
BAREGGIA DI LISSONE	VIA MARTIRI DELLA LIBERTÀ 263	20851	MB	039461260
BASSANO DEL GRAPPA	LARGO PAROLINI 70 97 98 99	36061	VI	0424525901
BELPASSO	VIA ROMA N. 192	95032	CT	095912398
BERBENNO	VIA ADUA 177	23010	SO	0342492262
BERGAMO	VIA ZAMBONATE 40	24121	BG	0352279811
BESANA BRIANZA	VIA DANTE ALIGHIERI 4	20842	MB	0362801049
BIASSONO	PIAZZA ITALIA	20853	MB	0392752276
BISACQUINO	CORSO TRIONA 21	90032	PA	0918351321
BOLLATE	VIA CADUTI BOLLATESI 22	20021	MI	0238306193
BOLZANO	VIA ALTO ADIGE 43	39100	BZ	04711899310
BORGO VALSUGANA	CORSO AUSUGUM 5	38051	TN	04611822961
BORGOMANERO	VIALE MARAZZA 38	28021	NO	0322835703
BORMIO	VIA ROMA 93	23032	SO	0342912411
BREMBATE DI SOPRA	VIA RAMPINELLI 1	24030	BG	0352279951
BRESCIA	VIA DALMAZIA 147	25125	BS	0303514711

Municipality	Address	Post Code	Province	Phone
BRESCIA	PIAZZALE ARNALDO 26	25121	BS	0303776755
BRESSO	VIA V,VENETO 23/25	20091	MI	0261034911
BULCIAGO	VIA DANTE ALIGHIERI 17	23892	LC	031861628
BULGAROGRASSO	VIA CESARE BATTISTI 2	22070	CO	031891482
BUSTO ARSIZIO	PIAZZA VITTORIO EMANUALE II 5	21052	VA	0331390811
CALATAFIMI	LARGO DUCA DEGLI ABRUZZI 4	91013	TP	0924951699
CALCINATE	VIA LOCATELLI N. 4A - 4B	24050	BG	0352279931
CALTAGIRONE	PIAZZA RISORGIMENTO 4	95041	CT	093345511
CALTANISSETTA	VIALE DELLA REGIONE 56/58/60	93100	CL	0934510811
CAMPI BISENZIO	VIA PRIVATA DEI CONFINI 26	50013	FI	0558966009
CAMPODOLCINO	VIA CORTI 3	23021	SO	034350131
CANICATTI'	VIA VITTORIO VENETO 2	92024	AG	0922738901
CANTU'	P.ZA GARIBALDI-ANG. VIA MANZONI	22063	CO	0317181411
CAPO D'ORLANDO	VIA ROMA 8	98071	ME	0941911273
CAPONAGO	VIA ROMA 35	20867	MB	0295742067
CARINI	CORSO ITALIA N. 73	90044	PA	0918689452
CARLENTINI	LOC. SANTUZZI - VIA ETNEA 22	96013	SR	0957831753
CARTOCETO	VIA DELLA STAZIONE 16 - F.NE LUCREZIA	61030	PU	0721897470
CARUGATE	VIA PIO XI N, 63 ANGOLO VIA TOSCANA	20061	MI	0292157494
CASALE MONFERRATO	PIAZZA GIUSEPPE MAZZINI 4	15033	AL	0142591001
CASALVIERI	VIA CALCATINA, 66	3034	FR	0776639026
CASNATE CON BERNATE	VIA CONTRADA LA TORRE 1	22070	CO	031451883
CASORATE PRIMO	VIA SANT'AGOSTINO 10	27022	PV	0221052631
CASPOGGIO	VIA VANONI 39	23020	SO	0342453640
CASSANO MAGNAGO	PIAZZA XXV APRILE	21012	VA	033178210
CASSINO	P.ZZA XV FEBBRAIO 5-6	3043	FR	0776310171
CASTEGGIO	PIAZZA CAVOUR 26	27045	PV	03831930741
CASTELVETRANO	VIA LIPARI N, 6	91022	TP	0924906330
CASTIONE ANDEVENNO	VIALE BRUNO TIRELLI, 3	23012	SO	0342567612
CATANIA	CORSO ITALIA 63	95100	CT	095600501
CATANIA	VIALE VITTORIO VENETO N. 249	95131	CT	095434468
CATANIA	PIAZZA EROI D'UNGHERIA 5	95100	CT	095482225
CATANIA	VIA GABRIELE D'ANNUNZIO 36	95100	CT	095434135
CATANIA	VIA CIFALI 27	95100	CT	095444184
CATANIA	PIAZZA MAZZINI 23	95100	CT	095600641
CATANIA	VIALE RUGGERO DI LAURIA	95127	CT	095600661
CATANIA	ZONA INDUSTRIALE - 18^ STRADA N. 14	95121	CT	0957357602
CEFALU'	VIA ROMA,7	90015	PA	0921423922
CERNOBBIO	VIA ALESSANDRO VOLTA 4	22012	CO	314472520
CESANO MADERNO	VIA MONTE RESEGONE 10	20811	MB	0362541575
CESENA	VIALE G, MARCONI 428	47023	FC	0547646273
CHIAVENNA	VIA PEDRETTI 5	23022	SO	0343220011
CHIESA VALMALENCO	VIA ROMA 91	23023	SO	0342451480
CHIURO	VIA IV NOVEMBRE 1	23030	SO	0342482243
CHIVASSO	VIA S, ANTONIO 41 - F.NE CASTELROSSO	10033	TO	01119783121
CINISELLO BALSAMO	VIA XXV APRILE 112	20092	MI	0291731900
CIVITANOVA MARCHE	VIA ADRIANO CECCHETTI 48	62012	MC	07331849780
CLES	VIA TRENTO 4	38023	TN	0463099010
COCQUIO-TREVISAGO	VIA MILANO 20	21034	VA	0332701712

Municipality	Address	Post Code	Province	Phone
CODOGNO	PIAZZA CAIROLI N. 5	26845	LO	0377759700
COLICO	VIA PER VILLATICO 6	23823	LC	0341933008
COLLE AL METAURO	VIA DEGLI OLIVI 22 - F.NE TAVERNELLE	61036	PU	0721896125
COLLI AL METAURO	VIA V. VENETO 1 - F.NE CALCINELLI	61036	PU	0721895858
COLOGNO	PIAZZA XI FEBBRAIO	20093	MI	0225409211
COLORINA	VIA ROMA 199/C	23010	SO	0342590290
COMO	VIA S. ELIA 3 - ANGOLO VIA BOSSI	22100	CO	0313303811
COMO	VIA CADORNA 24/26	22100	CO	0312747011
COMO	VIA P. PAOLI 51 - REBBIO	22100	CO	0312747070
COSIO VALTELLINO	FR,REGOLEDO V,ROMA 54	23013	SO	0342636070
CREMA	C.SO MATTEOTTI 20	26013	CR	037386649
DALMINE	VIA S,ANDREA 3	24044	BG	0352279941
DELEBIO	VIA STELVIO 23	23014	SO	0342685013
DESIO	VIA GARIBALDI 6	20832	MB	0362307063
DUBINO	FR. NUOVA OLONIO - VIA VALERIANA 240	23020	SO	03421831800
ENNA	VIA SANT'AGATA,135/139	94100	EN	0935500210
ERBA	VIA ADUA 21	22036	CO	0316337611
FALCONARA MARITTIMA	VIA PUGLIA 8	60015	AN	0719173756
FANO	PIAZZA XX SETTEMBRE 16	61032	PU	07218861
FANO	VIA CAVOUR 26	61032	PU	0721886280
FANO	VIALE ADRIATICO 54/A	61032	PU	0721886290
FANO	VIA SAN LAZZARO 18	61032	PU	0721886278
FANO	VIA S, EUSEBIO 18/26	61032	PU	0721886225
FANO	VIA ROMA 26	61032	PU	0721886287
FIRENZE	VIA ALFIERI 15 - ANGOLO PIAZZA DONATELLO 1	50144	FI	0552030111
FIRENZE	VIA DÈ BONI 1	50123	FI	055218641
FIRENZE	VIA SESTESE 100	50141	FI	0554564600
FIUMEFREDDO DI SICILIA	VIA UMBERTO 120	95013	CT	0957762767
FOSSOMBRONE	VIALE OBERDAN 28/30	61034	PU	0721740105
FROSINONE	P,LE DE MATTHAEIS,44	3100	FR	0775270624
GALBIATE	VIA CAVOUR 4	23851	LC	0341241147
GALLARATE	PIAZZA RISORGIMENTO 14	21013	VA	0331754011
GARLASCO	CORSO CAVOUR 162	27026	PV	03821759121
GELA	PIAZZA UMBERTO N, 2	93012	CL	0933901291
GERENZANO	PIAZZA DE GASPERI 16	21040	VA	0296481050
GIARRE	CORSO ITALIA 172	95014	CT	095600121
GIUSSANO	VIA CATALANI 11 - F.NE DI BIRONE	20833	MB	03621799070
GORDONA	PIAZZA S. MARTINO,12	23020	SO	034342773
GROSIO	VIA ROMA 38	23033	SO	0342847333
GROSOTTO	VIA STATALE 85	23034	SO	0342887100
GRUGLIASCO	VIA LUPO 60	10095	TO	01119782821
INVERIGO	PIAZZA UGO FOSCOLO 11	22044	CO	031605053
INZAGO	VIA PADANA SUPERIORE 2	20065	MI	0295314167
ISEO	VIA NINFEA 2/4	25049	BS	0309868859
ISPICA	PIAZZA MARIA JOSÈ 9	97014	RG	0932950116
IVREA	PIAZZA VITTORIO EMANUELE 8	10015	TO	01251962001
JESI	VIALE DELLA VITTORIA 18/A	60035	AN	0731719901
LAINATE	VIALE ITALIA 4	20020	MI	0293571487
LANZADA	PIAZZA DEL MAGNA N. 114	23020	SO	0342453115
LECCO	VIA PARINI 21	23900	LC	0341425111

Municipality	Address	Post Code	Province	Phone
LECCO	VIA ROMA 41	23900	LC	0341425050
LECCO	CORSO CARLO ALBERTO 27/C	23900	LC	0341286723
LEGNANO	VIA GIOLITTI 2A	20025	MI	0331592962
LINGUAGLOSSA	VIA ROMA 186	95015	CT	095643177
LIVIGNO	PLAZA DAL COMUN 5	23030	SO	0342996029
LIVIGNO	VIA SAROCH 286	23030	SO	0342970133
LODI	C.SO UMBERTO I 55/57	26900	LO	0371565498
LONIGO	VIA DEL MERCATO 2	36045	VI	0444238671
LUCCA	VIALE CARDUCCI 345	55100	LU	0583583003
MACERATA	VIA CARDUCCI 41	62100	MC	07331849941
MADESIMO	PIAZZA BERTACCHI 2	23024	SO	034353208
MARIANO COMENSE	VIA S. FRANCESCO 35	22066	CO	031751135
MARSALA	VIA ROMA 2/4	91025	TP	0923716099
MARTA	PIAZZA UMBERTO I 14	1010	VT	0761870622
MASCALUCIA	CORSO MICHELANGELO 29	95030	CT	0957278345
MAZARA DEL VALLO	CORSO DIAZ 20/22	91026	TP	0923909323
MAZZARRONE	PIAZZA S,GIUSEPPE 8	95040	CT	093328316
MEDA	CORSO MATTEOTTI 63	20821	MB	0362347556
MERATE	VIALE VERDI 86	23807	LC	0399906377
MESSINA	VIALE N. FABRIZI 222	98123	ME	0906501411
MESSINA	VIALE DELLA LIBERTA' 175	98121	ME	09057153
MESSINA	STRADA STATALE 114 KM 5,900	98100	ME	090632018
MILANO	VIA LARGA 7	20122	MI	0258307202
MILANO	VIA ARESE 7	20159	MI	026688791
MILANO	VIA BIANCA DI SAVOIA 19	20122	MI	0258320266
MILANO	VIALE PREMUDA 2	20129	MI	0255015692
MILANO	VIA RAVIZZA 23	20149	MI	0248516329
MILANO	VIA PLINIO 48	21019	MI	0220404633
MILANO	P.ZZA NAPOLI 19 - ANGOLO VIA SOLARI	20146	MI	0242290566
MILANO	VIALE UMBRIA 52	20135	MI	0254122019
MILANO	VIALE BRENTA 3	20139	MI	0252203211
MILANO	CORSO SEMPIONE 39	20145	MI	0221052281
MILANO	VIA CENISIO 30	20154	MI	02317851
MILANO	VIALE G,DA CERMENATE 44	20141	MI	028463944
MILANO	VIA ASTESANI 24	20161	MI	0266200400
MILANO	VIALE CORSICA 55	20133	MI	0270120482
MILANO	VIA MERCATO 3	20121	MI	0286995258
MILANO	VIA FELTRE 75	20134	MI	0280637965
MILANO	PIAZZA SAN FEDELE 4	20121	MI	02806371
MILANO	CORSO MAGENTA 59	20123	MI	02806371
MILAZZO	VIA UMBERTO I 57	98057	ME	0909240392
MISILMERI	CORSO IV APRILE 47/49	90036	PA	0918734960
MISSAGLIA	VIA IV NOVEMBRE (ANGOLO VIA GARIBALDI)	23873	LC	0399279315
MISTRETTA	VIA LIBERTA' 94	98073	ME	0921383023
MODICA	VIA RESISTENZA PARTIGIANA 25/B	97010	RG	0932762790
MONDOLFO	VIA LITORANEA 86 - F.NE MAROTTA	61037	PU	072196522
MONDOLFO	VIA XX SETTEMBRE 34	61037	PU	0721957332
MONTE PORZIO	VIA CANTE DI MONTEVECCHIO 40	61040	PU	0721955126
MONTECCHIO MAGGIORE	VIA CORTE DELLE FILANDE 20	36075	VI	0444238641
MONTEFIASCONE	VIA INDIPENDENZA N. 4	1027	VT	0761098630

Municipality	Address	Post Code	Province	Phone
MONTEFIASCONE	VIA CARDINAL SALOTTI 6	1027	VT	0761
MONZA	VIA ZUCCHI 16	20900	MB	039238111
MONZA	VIA CAVALLOTTI 100	20900	MB	0392381000
MONZA	VIA RAMAZZOTTI 24	20900	MB	0392381020
MONZA	VIA BUONARROTI 85	20900	MB	0392381040
MORBEGNO	VIA AMBROSETTI 2	23017	SO	0342604311
MORBEGNO	VIA V ALPINI 146/148	23017	SO	0342614499
MORNAGO	VIA PROVINCIALE 2	21021	VA	0331901041
MORTARA	CORSO CAVOUR 18	27036	PV	0384090101
MOZZATE	PIAZZA CORNAGGIA 27	22076	CO	0331833608
MUSSOMELI	PIAZZA ROMA 27	93014	CL	0934951318
NICHELINO	VIA TORINO 131	10042	TO	01119783081
NICOLOSI	VIA GARIBALDI 59	95030	CT	095600701
NOVARA	LARGO SAN MARTINO 5	28100	NO	0321659766
NOVATE MEZZOLA	PIAZZA EUROPA 2	23025	SO	034362028
NOVI LIGURE	VIA RAGGIO ANG. VIA FIGINI	15067	AL	0143380701
OLGIATE COMASCO	VIA V,EMANUELE II	22077	CO	031990266
OLGIATE MOLGORA	VIA COMO 16	23887	LC	039509215
ORBASSANO	VIA ROMA ANG. VIA GIOVANNI XXIII	10043	TO	01119782801
ORCIANO DI PESARO	PIAZZALE DELLA RIPA 5	61038	PU	072197229
OSNAGO	VIA TESSITURA 1/B	23875	LC	0399280210
PADERNO DUGNANO	VIA ROTONDI 93	20037	MI	0299044777
PADOVA	VIA GOZZI 26 - ANGOLO VIA REZZONICO	35131	PD	0498774685
PALAZZOLO SULL'OGLIO	VIA ZANARDELLI 54	25036	BS	0307403547
PALERMO	VIA LIBERTA' 32	90141	PA	091337111
PALERMO	VIA NOTARBARTOLO 30/A	90100	PA	091337301
PALERMO	VIA LEOPARDI 86	90144	PA	091337570
PALERMO	VIALE STRASBURGO 195/E	90146	PA	091337321
PALERMO	VIA LEONARDO DA VINCI 96	90145	PA	091337341
PALERMO	VIA CARBONE 143/145 PARTANNA MONDELLO	90151	PA	091337361
PALERMO	VIA RE RUGGERO 14	90128	PA	091337381
PALERMO	VIA PRINCIPE DI BELMONTE 86/C	90139	PA	091337401
PALERMO	CORSO CALATAFIMI 775	90129	PA	091337421
PALERMO	PIAZZA VERDI 58	90138	PA	091337011
PARABIAGO	VIA S, MICHELE 12	20015	MI	0331553672
PARMA	VIALE MENTANA 43	43121	PR	05211757600
PARTINICO	VIA CALANDRINO 28/30	90047	PA	0918782240
PASTURO	VIALE TRIESTE 56	23818	LC	0341955198
PATERNO'	PIAZZA INDIPENDENZA 38	95047	CT	0957981874
PATTI	LARGO JAN PALACH 1	98066	ME	0941243033
PAVIA	PIAZZA PETRARCA 14	27100	PV	038277641
PEDRENGO	VIA DONADONI 1	24066	BG	0352279861
PERUGIA	VIA CAMPO DI MARTE 6/F	6124	PG	0755004490
PERUGIA	VIA L, MASTRODICASA S/N - LOC. PONTE FELCINO	6134	PG	0759669880
PESARO E URBINO	VIA PONCHIELLI 94	61122	PU	072143631
PESARO E URBINO	PIAZZALE CARDUCCI 5	61121	PU	07211779260
PETRALIA SOPRANA	FRAZIONE MADONNUZZA – S.S. 120 N. 45	90026	PA	0921680353
PIACENZA	VIA XXIV MAGGIO 144	29100	PC	05231747301
Piagge	VIA ROMA 92	61030	PU	0721890133

Municipality	Address	Post Code	Province	Phone
PIATEDA	VIA ROMA 67	23020	SO	0342370616
PINEROLO	VIA MARTIRI DEL '21 57	10064	TO	0121041801
PISA	P.ZZA VITTORIO EMANUELE II 18	56100	PI	05041380
POZZALLO	VIA MARIO RAPISARDI 5 - 7	97016	RG	0932958052
PRATO	VIA DELLE FONTI 3/5	59100	PO	0574516411
RAGUSA	VIA ARCHIMEDE 58	97100	RG	0932681700
RAGUSA	VIA PLEBISCITO 38/40	97100	RG	0932642722
RAMACCA	VIA ROMA 14	95040	CT	095653298
RANDAZZO	PIAZZA DELLA BASILICA	95036	CT	095921485
REZZATO	VIA A, BUSI 62	25086	BS	0302793708
RHO	VIA MASCAGNI 2 (ANGOLO VIA PACE)	20017	MI	0293205111
RICCIONE	VIA DEI MILLE 20	47838	RN	0541697384
RIMINI	VIALE DELLA REPUBBLICA 96	47923	RN	0541307404
RIVA DEL GARDA	VIALE CANELLA 14	38066	TN	046481441
ROBBIO	VIA MARCONI 11	27038	PV	0384090121
ROCCALUMERA	VIA UMBERTO I° 502	98027	ME	0942744798
ROMA	VIA S,PIO X 6/10 (ANG. VIA DELLA CONCILIAZIONE)	193	RM	06680051
ROMA	PIAZZA SAGONA 6/E - OSTIA	122	RM	0656320016
ROMA	VIA ORTI DELLA FARNESINA 88	194	RM	0636381517
ROMA	P.ZZA W. ROSSI 205 – ANG. VIA DELLA CAMILLUCCIA	135	RM	0635340186
ROMA	VIALE SIRTORI 76	149	RM	0655270843
ROMA	VIA TIBURTINA 1352	131	RM	0668005381
ROMA	VIA BELARDINELLI 5	123	RM	0668005641
ROMA	VIA XX SETTEMBRE 50/52	187	RM	0668005661
ROMA	VIA FRANCESCO GRIMALDI 75	146	RM	0668005701
ROMA	PIAZZALE DON LUIGI STURZO 33	144	RM	0668005810
ROMA	VIA L,DA VINCI 187	145	RM	065400386
ROMA	VIA TOR SAPIENZA 121	155	RM	062288055
ROMA	LUNGOTEVERE MELLINI 17 - VIA P,CAVALLINI 43	193	RM	0636083011
ROMA	VIA LIVORNO 22/24 - ANGOLO STAMIRA	162	RM	0644245449
ROMA	VIA CALPURNIO FIAMMA 6/12	175	RM	067140194
ROMA	VIA CONCA D'ORO 356	141	RM	0668005341
ROMA	PIAZZA EUCLIDE 48	197	RM	0668005791
ROMA	CORSO TRIESTE 139/141	198	RM	0668005721
ROMANO DI LOMBARDIA	VIA FILARMONICI 12/14	24058	BG	0363902399
ROVATO	VIA GALDINA N. 1	25038	BS	0307242595
ROVELLASCA	VIA IV NOVEMBRE 2	22069	CO	0296741009
ROVERETO	CORSO ROSMINI 36	38068	TN	046481401
S. DONATO MILANESE	VIA ANGELO MORO - BORGO TRIULZIO	20097	MI	0251620477
SAMOLACO	VIA TONAIA 4 - FR, S,PIETRO	23027	SO	034348018
SAN BONIFACIO	CORSO VENEZIA 78	37047	VR	0457613387
SAN CATALDO	PIAZZA DELLA REPUBBLICA 1	93017	CL	0934571115
SAN COSTANZO	VIA DELLA LIBERTÀ 3	61039	PU	0721950265
SAN GIOVANNI LUPATOTO	VIA MADONNINA 84-84/A	37057	VR	0458753551
SANTA MARIA DELLA VERSA	P.ZZA VITTORIO EMANUELE II 23	27047	PV	0385090321
SANTA VENERINA	PIAZZA ROMA 3	95010	CT	095953572
SANT'AGATA LI BATTIATI	VIA ROMA 4	95030	CT	0957256075

Municipality	Address	Post Code	Province	Phone
SARONNO	VIA MARCONI - ANG. VIA GARIBALDI	21047	VA	029628891
SCIACCA	CORSO VITTORIO EMANUELE 101 - 103	92019	AG	092528919
SCICLI	VIA NAZIONALE 35/37	97018	RG	0932931873
SCORDIA	PIAZZA UMBERTO I° 19	95048	CT	095657215
SEGRATE	QUARTIERE S,FELICE	20090	MI	0275391911
SENIGALLIA	VIA DEI GERANI 8	60019	AN	071791861
SEREGNO	VIA FORMENTI N. 1	20831	MB	03621799020
SESTO SAN GIOVANNI	VIA SAVI 90 - ANG. VIA CAVALLOTTI	20099	MI	0226226841
SIRACUSA	VIA DEI VESPRI 2/A	96010	SR	0931744241
SIRACUSA	VIA BRENTA 5	96100	SR	0931487111
SIRONE	VIA MAZZINI 14	23844	LC	031870144
SOMMA LOMBARDO	CORSO EUROPA 50	21019	VA	03311779160
SONDALO	VIA DR, ANTONIO ZUBIANI 12	23035	SO	0342801167
SONDRIO	VIA XXV APRILE 1	23100	SO	0342522111
SONDRIO	PIAZZA GARIBALDI 1	23100	SO	0342522042
SONDRIO	VIA A, MORO 14A	23100	SO	0342522486
SORA	VIALE S,DOMENICO	3039	FR	0776825505
STRADELLA	VIA BATTISTI 38 - ANG. VIA DELLA GIOVANNA	27049	PV	0385090301
TALAMONA	PIAZZA IV NOVEMBRE 23	23018	SO	0342671555
TAORMINA	PIAZZA SANTA CATERINA 12	98039	ME	0942628915
TEGLIO	VIA ROMA 24/B	23036	SO	0342782242
TEGLIO	VIA NAZIONALE 138 - FR. S,GIACOMO	23030	SO	0342786077
TERME VIGLIATORE	PIAZZA MUNICIPIO	98050	ME	0909781717
TERMINI IMERESE	CORSO UMBERTO E MARGHERITA 84	90018	PA	0918114964
THIENE	CORSO GARIBALDI 37	36016	VI	0445371277
TIONE DI TRENTO	VIA 3 NOVEMBRE 29/A	38079	TN	0465099000
TIRANO	PIAZZA MARINONI 23	23037	SO	0342708011
TORINO	VIA XX SETTEMBRE 3	10121	TO	01119782641
TORINO	LARGO GIULIO CESARE (ANGOLO VIA VOLPIANO)	10154	TO	01119783041
TORINO	CORSO CASALE 205	10132	TO	01119783061
TORTONA	VIA EMILIA 98	15057	AL	01311850921
TRADATE	VIA ALBISETTI 9	21049	VA	0331845777
TRAONA	VIA VALERIANA 82/A	23019	SO	0342653260
TRAPANI	PIAZZA UMBERTO I 45	91100	TP	0923823811
TRAPANI	VIA NUOVA 15/17	91020	TP	0923556138
TRECASTAGNI	PIAZZA MARCONI 28/29/30	95039	CT	0957805689
TREMESTRIERI ETNEO	VIA NOVALUCE 30/A	95030	CT	0957339211
TRENTO	PIAZZA PASI 21	38122	TN	04611822921
TRENTO	VIA F.LLI PERINI 26	38122	TN	04611822942
TRESIVIO	VIA DEGLI ALPINI 2	23020	SO	0342430512
TUSCANIA	VIA GIUSEPPE CERASA 2/4	1017	VT	0761443422
URBINO	VIA POLIDORO VIRGILI 37	61029	PU	0722919010
USMATE VELATE	VIA COTTOLENGO 1	20865	MB	0396076804
VALDIDENTRO	PIAZZA IV NOVEMBRE 18 - FR. ISOLACCIA	23038	SO	0342985225
VALDISOTTO	VIA CAPITANIA 63 - F.NE CEPINA	23030	SO	0342950385
VALFURVA	PIAZZA FRODAGLIO 3 - FR. S. NICOLO'	23030	SO	0342945657

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VARESE	VIA MAGENTA 5	21100	VA	0332245911
VARESE	P.ZA DELLA LIBERTA' (ANG. VIA MONTEBELLO) LOC. CASBENO	21100	VA	0332320143
VERANO BRIANZA	VIA N,SAURO 26	20843	MB	0362991744
VERBANIA	VIA XXV APRILE 15-17	28921	VB	0323408156
VERONA	PIAZZA RENATO SIMONI 31	37122	VR	0459274001
VICENZA	VIA FERMI 5	36100	VI	0444238611
VIGEVANO	VIA MERULA 28/30	27029	PV	038199701
VIGNATE	VIA ROMA 2	20060	MI	029566563
VILLA DI TIRANO	VIA ROMA 24	23030	SO	0342795111
VILLAFRANCA DI VERONA	VIA NINO BIXIO 170-172-174	37069	VR	0456300873
VIMERCATE	VIA VITTORIO EMANUELE N. 67	20871	MB	0396081570
VIMODRONE	VIA PADANA SUPERIORE 231	20090	MI	0291970280
VITERBO	VIA DELLA STAZIONE 121-121/A	1026	VT	0761367611
VITERBO	VIA A. DIAZ 52/B-C	1100	VT	07611900340
VITTORIA	VIA CANCELLIERI 90	97019	RG	0932865093
VOGHERA	VIA EMILIA 110 ANG. VIA PLANA	27058	PV	0383640681
ZAFFERANA ETNEA	VIA ROMA 391	95019	CT	0957082627

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Partita Iva: aderente al Gruppo IVA Crédit Agricole Italia n. 02886650346
Dati al 31.12.2021. Capitale sociale: euro 1.643.508.053,06 i.v.
Codice ABI: 5216. Numero di iscrizione all’Albo delle banche: 489
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